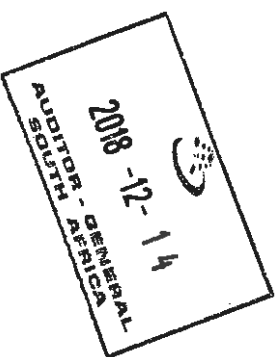




STELLENBOSCH
MUNICIPALITY
MUNICIPALITY OF STERKBOOM

Stellenbosch Municipality
Annual financial statements
for the year ended 30 June 2018

Auditor-General of South Africa
Chartered Accountants (S.A.)



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

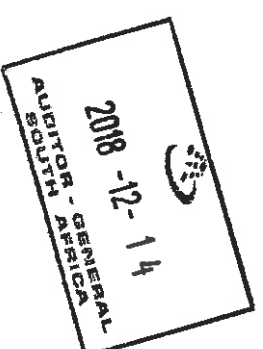
General Information

Mayoral committee

Executive Mayor
Deputy Executive Mayor
Speaker
Executive Councillors

Councillors

GMM Van Deventer	
N Jindela	
DD Joubert	
PW Biscoombe	
JN De Villiers	
AR Frazenburg	
E Groenewald	
XL Mdenka	
SA Peters	
JP Serdyn	
Q Smit	
F Adams	
DS Arends	
FJ Badenhorst	
NG Bakubaku-Vos	
FT Bangani-Menziwa	
PR Crawley	
A Crombie	
MB De Wet	
R Du Toit	
A Florence	
E Fredericks	
JG Hamilton	
A Hanekom	
DA Hendrickse	
JK Hendriks	
LK Horsband	
MC Johnson	
NS Louw	
N Mananga-Gugusho	
C Manuel	
LM Maseba	
MC MC Ombing	
RC Nalumango	
N Olayi	
MD Oliphant	
WC Peterson	
MM Pietersen	
WF Pietersen	
SR Schäfer	
N Sinkinya	
P Stishoti	
LL Stander	
E Vermeulen	
Councillors Grade 4	
Personnel Grade 4	
G Mettler	
Tel: 021 808 8025	



Accounting Officer

Grading of local authority

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Chief Finance Officer (CFO)

M Wüst
Tel: 021 808 8528

Registered office

Plein Street
Stellenbosch
7600

Business address

Plein Street
Stellenbosch
7600

Postal address

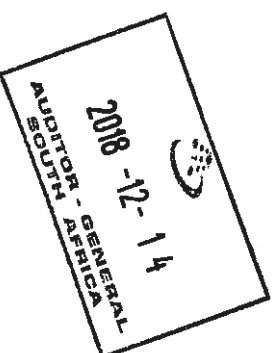
P O Box 17
Stellenbosch
7599

Bankers

ABSA
NEDBANK

Auditors

Auditor-General of South Africa
Chartered Accountants (S.A.)



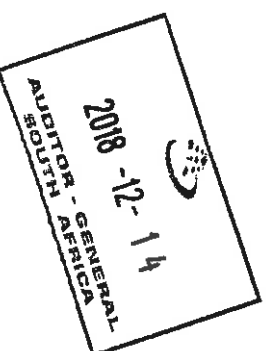
Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 13
Accounting Policies	14 - 43
Notes to the Annual Financial Statements	44 - 123
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

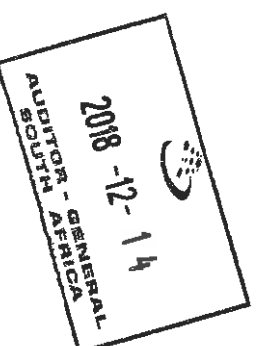
I am responsible for the preparation of these financial statements in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) and signed the Annual Financial Statements on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 34 and 35 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements have been prepared on the going concern basis, is hereby certified.

Geraldine Mettler
Accounting Officer

31 August 2018

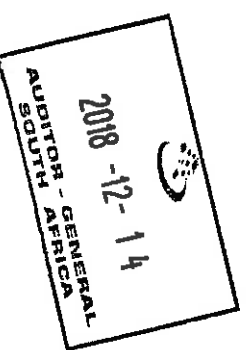


Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Cash and cash equivalents	3	23 062 587	46 317 058
Short term investments	4	505 617 672	575 418 314
Receivables from exchange transactions	5	214 466 298	167 905 262
Receivables from non-exchange transactions	6	77 128 197	65 436 671
Other receivables from exchange transactions	7	6 209 038	7 780 747
Inventories	8	46 990 515	40 568 844
VAT receivable	9	45 660 337	40 139 579
Long term receivable	15	1 600 207	2 121 452
		920 734 851	945 687 927
Non-Current Assets			
Property, plant and equipment	10	4 710 275 480	4 443 174 059
Investment property	11	423 252 024	423 622 558
Intangible assets	12	8 368 154	9 434 575
Biological assets that form part of an agricultural activity	13	6 321 448	8 808 121
Heritage assets	14	774 002	724 002
Long term receivable	15	2 158 458	3 512 953
		5 151 149 566	4 889 276 268
Total Assets		6 071 884 417	5 834 964 195
Liabilities			
Current Liabilities			
Payables from exchange transactions	21	239 903 566	282 087 477
Unspent conditional grants and receipts	22	101 602 890	74 438 584
Employee benefit obligation	17	47 887 911	47 015 418
Other financial liabilities	19	14 501 990	13 083 928
Consumer deposits	16	15 673 925	14 577 025
Operating lease liability	18	1 079 160	1 439 270
		420 649 442	432 641 702
Non-Current Liabilities			
Employee benefit obligation	17	219 186 792	220 222 839
Other financial liabilities	19	158 800 148	173 302 139
Provisions	20	79 165 186	78 169 144
		457 152 126	471 694 122
Total Liabilities		877 801 568	904 335 824
Net Assets		5 194 082 849	4 930 628 371
Accumulated surplus	23	5 194 082 849	4 930 628 371



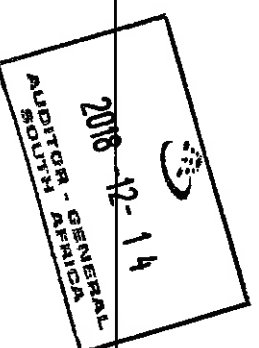
Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Service charges	24	862 001 445	795 176 331
Rental of facilities and equipment	25	14 992 251	16 905 750
Interest earned - outstanding receivables	26	6 848 597	6 451 330
Agency services	27	2 364 609	6 400 483
Licences and permits	28	6 571 243	5 735 114
Other income	29	26 734 436	25 194 947
Investment revenue	30	55 109 631	56 218 546
Total revenue from exchange transactions		974 622 212	912 082 501
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	309 988 786	290 028 243
Transfer revenue			
Government grants & subsidies	32	210 534 572	227 751 997
Fines, penalties and forfeits	33	114 767 168	102 816 625
Total revenue from non-exchange transactions		635 290 526	620 596 865
Total revenue		1 609 912 738	1 532 679 366
Expenditure			
Employee related costs	34	(444 578 881)	(409 575 108)
Remuneration of councillors	35	(17 307 557)	(16 094 449)
Contribution to/from provisions	36	(996 043)	(1 536 603)
Contribution to employee benefits	37	(11 727 667)	(6 953 305)
Depreciation and amortisation	38	(157 549 555)	(149 139 446)
Impairment of non cash generating assets	10	(6 398 337)	(419 484)
Finance costs	39	(18 775 322)	(19 626 895)
Lease rentals on operating lease	40	(8 312 432)	(13 205 278)
Debt Impairment	41	(47 970 580)	(82 169 287)
Contribution to allowance for doubtful debt	42	(52 961 613)	(4 522 848)
Bulk purchases	43	(329 681 698)	(347 827 571)
Contracted services	44	(123 010 472)	(149 157 904)
Transfers and Subsidies	45	(6 261 185)	(6 932 896)
General Expenses		(120 236 562)	(109 076 349)
Total expenditure		(1 345 767 904)	(1 316 237 423)
Operating surplus		264 144 834	216 441 943
Gain on disposal of assets and liabilities	46	335 771	729 008
Fair value adjustments	66	(795 806)	945 220
Gain on sale biological assets and agricultural produce		91 149	(104 086)
Inventories (losses/write-downs)/ reversal of write downs		(197 322)	(45 009)
		(566 208)	1 525 133
Surplus for the year		263 578 626	217 967 076

* See Note 61



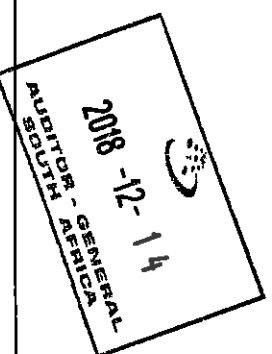
Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	4 690 202 176	4 690 202 176
Adjustments		
Prior year adjustments	23 317 177	23 317 177
Balance at 01 July 2016 as restated*	4 713 519 353	4 713 519 353
Changes in net assets		
Surplus for the year	217 967 079	217 967 079
Prior period error	(858 087)	(858 087)
Total changes	217 108 992	217 108 992
Restated* Balance at 01 July 2017	4 930 628 374	4 930 628 374
Changes in net assets		
Surplus for the year	263 578 626	263 578 626
Prior period error	(124 151)	(124 151)
Total changes	263 454 475	263 454 475
Balance at 30 June 2018	5 194 082 849	5 194 082 849
Note(s)		

* See Note 61



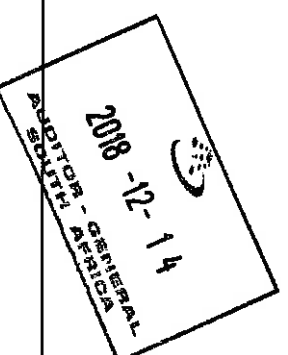
Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 145 830 619	1 087 670 967
Grants		237 698 878	264 644 379
Interest income		55 109 631	56 218 546
		<u>1 438 639 128</u>	<u>1 408 533 892</u>
Payments			
Employee costs		(436 154 406)	(395 548 416)
Suppliers		(634 537 310)	(557 748 991)
Finance costs		(18 775 322)	(19 626 895)
		<u>(1 089 467 038)</u>	<u>(972 924 302)</u>
Net cash flows from operating activities	47	349 172 090	435 609 590
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(432 960 732)	(406 171 835)
Proceeds from sale of property, plant and equipment	10	998 250	2 198 409
Purchase of other intangible assets	12	(664 396)	(4 031 366)
Purchases of heritage assets	14	(50 000)	-
Movement in non-current receivables		3 249 048	(1 164 341)
Proceeds from sale of biological assets that form part of an agricultural activity	13	408 708	45 122
Purchase of short term investments		-	(95 418 314)
Movement in investments		69 800 642	-
		<u>(359 218 480)</u>	<u>(504 542 325)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Movement in other financial liabilities		(13 083 929)	(11 908 295)
Prior period error		(124 151)	(858 087)
		<u>(13 208 080)</u>	<u>(12 766 382)</u>
Net cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		(23 254 470)	(81 699 117)
Cash and cash equivalents at the beginning of the year		46 317 058	128 016 153
Cash and cash equivalents at the end of the year	3	23 062 588	46 317 036

* See Note 61



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	841 409 296	-	841 409 296	862 001 445	20 592 149	
Rental of facilities and equipment	17 993 960	-	17 993 960	14 992 251	(3 001 709)	BD1
Interest earned - outstanding receivables	7 663 970	-	7 663 970	6 848 597	(815 373)	BD2
Agency services	2 514 110	-	2 514 110	2 364 609	(149 501)	BD3
Licences and permits	9 913 460	-	9 913 460	6 571 243	(3 342 217)	BD4
Other income	33 595 700	-	33 595 700	26 734 436	(6 861 264)	BD5
Investment revenue	48 998 780	-	48 998 780	55 109 631	6 110 851	BD6
Total revenue from exchange transactions	962 089 276	-	962 089 276	974 622 212	12 532 936	

Revenue from non-exchange transactions

Taxation revenue

Property rates

313 009 130

309 988 786

(3 020 344)

Transfer revenue

Government grants & subsidies
Fines, Penalties and Forfeits

242 448 335
97 064 330

242 448 335
97 064 330

210 534 572
114 767 168

(31 913 763)
17 702 838

BD7
BD8

Total revenue from non-exchange transactions

652 521 795

- 652 521 795

635 290 526

(17 231 269)

Total revenue

1 614 611 071

- 1 614 611 071

1 609 912 738

(4 698 333)

Expenditure

Employee related costs
Remuneration of councillors
Contribution to/from provisions
Contribution to employee benefits

(469 833 281)
(17 461 674)
(2 841 030)
(25 055 296)

(469 833 281)
(17 461 674)
(2 841 030)
(25 055 296)

(444 578 881)
(17 307 557)
(996 043)
(11 727 667)

25 254 400
154 117
1 844 987
13 327 629

BD9
BD10

Depreciation and amortisation
Impairment loss/ Reversal of impairments

(187 101 073)
(8 779 460)

(187 101 073)
(8 779 460)

(157 549 555)
(6 398 337)

29 551 518
2 381 123

BD11
BD12

Finance costs
Operating leases
Debt impairment
Contribution to allowance for doubtful debt

(18 076 732)
-
(84 700 000)
(33 483 382)

(18 076 732)
-
(84 700 000)
(33 483 382)

(18 775 322)
(8 312 432)
(47 970 580)
(52 961 613)

(698 590)
(8 312 432)
36 729 420
(19 478 231)

BD13
BD14
BD15

Collection Costs
Bulk purchases
Contracted Services
Transfers and Subsidies
General Expenses

(2 936 333)
(354 142 560)
(211 762 893)
(6 314 185)
(152 767 573)

(2 936 333)
(354 142 560)
(211 762 893)
(6 314 185)
(152 767 573)

(329 681 698)
(123 010 472)
(6 261 185)
(120 236 562)

2 936 333
24 460 862
88 752 421
53 000
32 531 011

BD16
BD17
BD18
BD19

Total expenditure

(1 575 255 472)

- (1 575 255 472)

(1 345 767 904)

229 487 568

Operating surplus

39 355 599

- 39 355 599

264 144 834

224 789 235

Gain on disposal of assets and liabilities

1 419 020

- 1 419 020

335 771

(1 083 249)

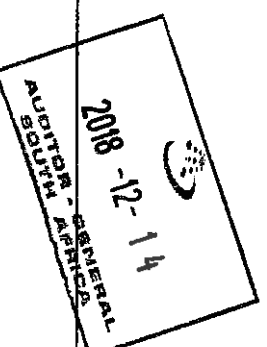
BD20

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Fair value adjustments	-	-	-	(795 806)	(795 806)	BD21
Gain on biological assets and agricultural produce	22 130	-	22 130	9 149	69 019	BD22
Inventories (losses/write-downs) / reversal of write downs	-	-	-	(197 322)	(197 322)	BD23
Surplus before taxation	1 441 150	-	1 441 150	(566 208)	(2 007 358)	
	40 796 749	-	40 796 749	263 578 626	222 781 877	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	40 796 749	-	40 796 749	263 578 626	222 781 877	



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Statement of Financial Position

Assets

Current Assets

Cash and cash equivalents	18 895 647		18 895 647	23 062 587	4 166 940	BD24
Short term investments	400 645 893		400 645 893	505 617 672	104 971 779	BD25
Receivables from exchange transactions	94 691 283		94 691 283	214 466 298	119 775 015	BD26
Receivables from non-exchange transactions	56 586 995		56 586 995	77 128 197	20 541 202	BD27
Other receivables from exchange transactions	112 452 578		112 452 578	6 209 038	(106 243 540)	BD28
Inventories	38 000 000		38 000 000	46 990 515	8 990 515	BD29
VAT receivable	41 624 743		41 624 743	45 660 337	4 035 594	BD30
Long term receivable	-		-	1 600 207	1 600 207	BD31
	762 897 139	-	762 897 139	920 734 851	157 837 712	

Non-Current Assets

Property, plant and equipment	4 908 623 262		4 908 623 262	4 710 275 480	(198 347 782)	
Investment property	422 979 163		422 979 163	423 252 024	272 861	BD32
Intangible assets	15 741 345		15 741 345	8 368 154	(7 373 191)	BD33
Biological assets that form part of an agricultural activity	12 875 138		12 875 138	6 321 448	(6 553 690)	BD34
Heritage assets	12 875 138		12 875 138	774 002	(12 101 136)	BD35
Long term receivable	3 600 000		3 600 000	2 158 458	(1 441 542)	BD31
	5 376 694 046	-	5 376 694 046	5 151 149 566	(225 544 480)	
	6 139 591 185	-	6 139 591 185	6 071 884 417	(67 706 768)	

Total Assets

Liabilities

Current Liabilities

Payables from exchange transactions	196 635 485		196 635 485	239 903 557	43 268 072	BD36
Unspent conditional grants and receipts	13 033 176		13 033 176	101 602 890	88 569 714	BD37
Employee benefit obligation	38 605 744		38 605 744	47 887 911	9 282 167	BD38
Other financial liabilities	16 983 512		16 983 512	14 501 990	(2 481 522)	BD39
Consumer deposits	12 976 467		12 976 467	15 673 925	2 697 458	BD40
Operating lease liability	-		-	1 079 160	1 079 160	BD41
	278 234 384	-	278 234 384	420 649 433	142 415 049	

Non-Current Liabilities

Other financial liabilities	314 867 242	-	314 867 242	158 800 148	(156 067 094)	BD39
Employee benefit obligation	219 728 105	-	219 728 105	219 186 792	(541 313)	BD38
Provisions	42 246 874	-	42 246 874	79 165 186	36 918 312	BD42
	576 842 221	-	576 842 221	457 152 126	(119 690 095)	
	855 076 605	-	855 076 605	877 801 559	22 724 954	
	5 284 514 580	-	5 284 514 580	5 194 082 858	(90 431 722)	

Total Liabilities

Net Assets

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	5 284 514 580	-	5 284 514 580	5 194 082 858	(90 431 722)	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	1 198 223 482	-	1 198 223 482	1 145 830 619	(52 392 863)	
Grants-operation	143 935 009	-	143 935 009	143 940 753	5 744	
Interest income	56 356 191	-	56 356 191	55 109 631	(1 246 560)	
Grant- capital	98 513 326	-	98 513 326	93 758 125	(4 755 201)	
	1 497 028 008	-	1 497 028 008	1 438 639 128	(58 388 880)	

Payments

Suppliers and employee costs	(1 233 959 610)	-	(1 233 959 610)	(1 070 691 716)	163 267 894	CF1
Finance costs	(18 076 732)	-	(18 076 732)	(18 775 322)	(698 590)	
Transfers and Grants	(6 314 185)	-	(6 314 185)	-	6 314 185	CF2
	(1 258 350 527)	-	(1 258 350 527)	(1 089 467 038)	168 883 489	

Net cash flows from operating activities	238 677 481	-	238 677 481	349 172 090	110 494 609	
---	--------------------	---	--------------------	--------------------	--------------------	--

Cash flows from investing activities

Purchase of property, plant and equipment	(499 555 135)	-	(499 555 135)	(432 960 732)	66 594 403	CF3
Proceeds from sale of property, plant and equipment	3 500 000	-	3 500 000	998 250	(2 501 750)	CF4
Purchase of other intangible assets	(300 000)	-	(300 000)	(664 396)	(364 396)	CF5
Purchase of heritage assets	-	-	-	(50 000)	(50 000)	CF6
Movement in long term receivables	-	-	-	3 249 048	3 249 048	CF7
Proceeds from sale of biological assets	-	-	-	408 708	408 708	CF8
Movement in investments	-	-	-	69 800 642	69 800 642	CF9
Net cash flows from investing activities	(496 355 135)	-	(496 355 135)	(359 218 480)	137 136 655	

Cash flows from financing activities

Borrowing long term /refinancing	(13 783 512)	-	(13 783 512)	(13 083 929)	699 583	
Prior period error	-	-	-	(124 151)	(124 151)	CF10
Net cash flows from financing activities	(13 783 512)	-	(13 783 512)	(13 208 080)	575 432	
Net increase/(decrease) in cash and cash equivalents	(271 461 166)	-	(271 461 166)	(23 254 470)	248 206 696	
Cash and cash equivalents at the beginning of the year	621 906 213	-	621 906 213	46 317 058	(575 589 155)	
Cash and cash equivalents at the end of the year	350 445 047	-	350 445 047	23 062 588	(327 382 459)	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Basis of Preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.2 Internal reserves

Capital replacement reserve (CRR)

In order to finance the acquisition of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Self insurance reserve

The municipality has a Self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Accumulated surplus

The accumulated surplus/deficit represent the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Revenue recognition

Accounting Policy 1.16 on Revenue from Exchange Transactions and Accounting Policy 1.17 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of financial assets

Accounting Policy 1.9: Financial Instruments, referring to the paragraph on impairment of financial assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the annual financial statements.

Useful lives of property, plant and equipment and intangible assets

As described in Accounting Policy 1.6 and 1.7 the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful life, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge. The review of useful life and residual values of assets are only reviewed if one of the indicators of potential review is triggered.

Employee benefit obligations

The municipality obtains actuarial valuations of its employee benefit obligations. The employee benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the acturaries in estimating the liabilities are provided in the applicable notes to the annual Financial Statements.

Impairment of non-financial assets

The recoverable (service) amounts of cash-generating units and individual assets have been determined based in the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that the impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions are raised and management determines an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 20 - Provisions.

Allowance for slow moving, damaged and obsolete stock

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus/deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Effective interest rate

The municipality uses the best estimate of the costs at the reporting date with reference to the inflation rate.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Biological assets that form part of an agricultural activity

The municipality recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Biological assets that form part of an agricultural activity (continued)

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity, is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable, is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Item	Useful life
Trees in a plantation forest	Indefinite

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that is associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	30-99 years
Property - land	Indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 11).

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Property, plant and equipment (continued)

Property, plant and equipment is recognised as an asset when:

- it is probable that the future economic benefits or service potential that are associated with the property, plant and equipment will flow to the municipality; and
- the cost or fair value of the item can be determined reliably.

Measurement

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready to be used.

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Property, plant and equipment (continued)

Item	Average useful life
Buildings	indefinite
• Land	30-99
• Buildings	
Infrastructure assets	
• Roads and paving	10-100
• Electricity	10-50
• Water	10-100
• Sewerage	10-100
• Housing	30
Community assets	
• Improvements	30
• Recreational facilities	20-30
• Security	5
Capital restoration asset	
• Landfill site	5-30
Other property, plant and equipment	
• Watercraft	15
• Specialised plant and equipment	10-15
• Other plant and equipment	2-5
• Specialised vehicles	10
• Office equipment	1-7
• Bins and containers	5

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract; identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years
Capital development	30 years
Other intangible assets	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 12).

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 14).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 14 Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Financial instruments

A financial instrument can broadly be defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services..

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Financial instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data..

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The calculation in respect of the impairment of fines receivable (receivables from non-exchange transactions) is based on an assessment of the past history of fines per category.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.10 Leases (continued)

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rent are expensed in the period in which they are incurred.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.12 Landfill site

Site restoration and dismantling cost - The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes:

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located;
- changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and
- the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the assets or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Employee benefits

Short term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accrued leave pay

Liabilities for annual leave are recognised as they accrue to employees. Liability is based on the total accrued leave days owing to employees and is reviewed annually.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

Multi-employer plans

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Employee benefits (continued)

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Employee benefits (continued)

- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit-years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long term employee benefits

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost; and
- the effect of any curtailments or settlements.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.14 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.15 Provisions and Contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Provision for the rehabilitation of landfill sites

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments result in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Provisions and contingencies (continued)

Provision for constructive obligations

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:

- the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a:

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality;
- present obligation that arises from past events but is not recognised because: it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 52.

Grant-in-aid contributions

Provision is made for any constructive obligations of the municipality. A constructive obligation arises through an established pattern of past practice, published policies or a sufficiently specific current standard, whereby the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

1.16 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measure reliably.

Interest earned

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

Collection charges and penalties

- Collection charges and penalty interest is recognised when:
 - it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality; and
 - the amount of revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.18 Value Added Tax

The municipality accounts for Value Added Tax on the cash (receipt) basis.

1.19 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with a maturity period of between three and twelve months and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.20 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality will recognise statutory receivables as follows:

if the transaction is an exchange transaction using GRAP 9

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.20 Statutory receivables (continued)

If the transaction is a non exchange transaction using GRAP 23

If the transaction is not within the scope of the Standards of GRAP listed in (a) or (b) or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the receivable; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note and 60 for detail.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.26 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.27 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Key management as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by Municipal Manager.

Management are those persons responsible for planning, directing and controlling the activities of the municipality including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

1.29 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.29 Changes in accounting policies, estimates and errors (continued)

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.30 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.31 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

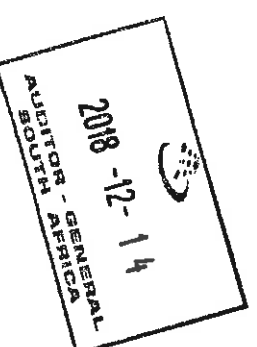
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.33 Additional Note

The annual financial statements have been prepared on the basis that the municipality is a going concern and will continue in operation for the foreseeable future.



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

2. New standards and interpretations

2.1 Standards and Interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has early adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has early adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The most significant changes to the Standard are:

- General Improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has early adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has early adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has early adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has early adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has early adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has early adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and Interpretations (continued)

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities, Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and Interpretations (continued)

GRAP 38: Disclosure of Interests In Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2019

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and Interpretations (continued)

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

The impact of this interpretation is currently being assessed.

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods but are not relevant to its operations:

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018 2017

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand
Trust and charitable bank
Call accounts
Bank balances

13 150 14 150
22 275 15 190
10 396 986 29 681 153
12 630 176 16 606 565
23 062 587 46 317 058

Call accounts

Investec
Standard bank
Nedbank

- 8 351 491
10 396 986 21 329 662
10 396 986 29 681 153

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Nedbank - primary account - 1152271679	10 498 115	-	12 630 176	-	-
Nedbank- municipal services account - 115 227 1679	-	-	-	-	-
Nedbank - municipal traffic account - 115 227 1695	-	-	-	-	-
ABSA bank - current account - 410 188 031	1 569 981	15 888 554	7 116 052	16 606 566	7 939 387
ABSA bank - municipal services account - 407 007 5635	-	-	-	-	-
ABSA bank - municipal traffic account - 407 157 9787	-	-	-	-	-
Total	12 068 096	15 888 554	7 116 052	16 606 566	7 939 387

Included in cash and cash equivalents, an amount of R 200 000 is held as guarantee at the Post Office.

The management of the municipality is of the opinion that the carrying value of bank balances, cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

4. Short term investments

Short term investments Fixed deposits

505 617 672	575 418 314
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Short term investments include all other investments for a period of 1-12 months that are not included in cash and cash equivalents. The interest rates for these investments range between 8.2% and 8.75%

Short term investments consists of the following:

ABSA - Investments

Opening balance
Movement for the year

152 308 603	120 461 096
(152 308 603)	31 847 507
-	152 308 603

FNB - Investments

Opening balance
Movement for the year

102 083 164	120 406 849
101 384 178	(18 323 685)
203 467 342	102 083 164

Nedbank - Investments

Opening balance
Movement for the year

180 604 685	120 461 096
19 389 342	60 143 589
199 994 027	180 604 685

Standard Bank - Investments

Opening balance
Movement for the year

140 421 863	201 203 671
(38 265 562)	(60 781 808)
102 156 301	140 421 863

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

5. Receivables from exchange transactions

Gross balances

Electricity
Water
Sewerage
Refuse
Housing rental
Sundry

99 111 698	88 154 763
100 199 018	72 015 952
22 801 193	16 363 723
19 639 669	16 726 055
24 241 851	23 150 442
9 227 033	12 399 339
275 220 462	228 810 274

Less: Allowance for impairment

Electricity
Water
Sewerage
Refuse
Housing rental
Sundry

(3 278 189)	(1 848 904)
(22 529 260)	(21 764 159)
(4 813 267)	(7 195 366)
(5 958 153)	(8 312 054)
(19 609 760)	(17 871 941)
(4 565 535)	(3 912 588)
(60 754 164)	(60 905 012)

Net balance

Electricity
Water
Sewerage
Refuse
Housing rental
Sundry

95 833 509	86 305 859
77 669 758	50 251 793
17 987 926	9 168 357
13 681 516	8 414 001
4 632 091	5 278 501
4 661 498	8 486 751
214 466 298	167 905 262

Electricity

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
> 365 days

93 951 423	83 840 864
187 555	268 438
214 740	231 240
172 366	74 328
1 202 058	970 809
3 383 556	2 769 084
99 111 698	88 154 763

Water

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
> 365 days

45 826 854	32 139 531
2 382 623	1 609 025
2 827 909	1 259 783
2 604 587	1 404 020
16 581 632	7 939 541
29 975 413	27 664 052
100 199 018	72 015 952

Sewerage

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
> 365 days

8 714 528	4 066 450
483 949	237 989
373 598	227 655
372 138	217 655
2 690 204	1 820 852
10 166 776	9 793 122
22 801 193	16 363 723

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

5. Receivables from exchange transactions (continued)

Refuse

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
> 365 days

3 704 813	2 884 016
377 679	267 753
356 344	262 281
370 867	250 759
3 035 105	2 164 523
11 794 861	10 896 723
19 639 669	16 726 055

Housing rental

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
> 365 days

679 204	588 147
262 431	181 215
1 003 386	168 987
242 811	164 226
1 501 457	982 186
20 562 562	21 065 681
24 241 851	23 150 442

Sundry

Current (0 -30 days)
31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days
> 365 days

597 491	2 736 862
210 084	126 595
92 186	802 579
164 296	157 506
1 028 918	1 141 619
7 134 058	7 434 178
9 227 033	12 399 339

Reconciliation of allowance for impairment

Balance at beginning of the year
Contributions to allowance

(60 905 012)	(63 100 252)
150 848	2 195 240
(60 754 164)	(60 905 012)

Receivables from exchange transactions past due but not impaired

The Council regards receivables from exchange transactions to be due for outstanding amounts more than 30 days to be past due.

As at 30 June 2018, receivables from exchange transactions of R60 991 985 (2017: R 55 267 102) were past due not impaired.

Credit quality of consumer debtors

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Debtors to the amount of R16 million have been ceded to the Development Bank of Southern Africa in providing security for a loan raised from them.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

5. Receivables from exchange transactions (continued)

Government debt as at 30 June 2018

Department responsible for debt	Services	Interest	Sundry	Total
Nat. dept of Public Works	1 557 411	124 867	16 289	1 698 567
Prov. dept of Transport and Public Works	456 994	19 804	4 041	480 839
Western Cape education department	2 112 942	52 486	677	2 166 105
Health	59 414	396	60	59 870
Dept of local government and housing	7 056	1 437	620	9 113
Other government departments	310 666	-	-	310 666
	4 504 483	198 990	21 687	4 725 160

6. Receivables from non-exchange transactions

Capital receivables represent funding that Council is awaiting from external institutions for capital expenditure incurred and claimed, but not yet received at year-end.

The average credit period for capital receivables is dependent on the government department involved and the nature of the claim. No interest is charged on outstanding capital receivables. The subsidies are payable to the municipality resulting from allocations made in the DORA or based on agreements between the municipality and the relevant departments.

Gross balances		
Government grants and subsidies	5 376 716	7 531 063
Property rates	37 123 078	33 364 438
Fines	175 675 416	116 943 209
Other receivables	4 960 800	493 315
	223 136 010	158 332 025

Less: Allowance for impairment

Property rates	(4 482 896)	(4 842 457)
Fines	(141 524 917)	(88 052 897)
	(146 007 813)	(92 895 354)

Net balances

Government grants and subsidies	5 376 716	7 531 063
Other receivables	4 960 800	493 315
Property rates	32 640 182	28 521 981
Fines	34 150 499	28 890 312
	77 128 197	65 436 671

Fines

Current (0 -30 days)	16 672 243	11 076 586
31 - 60 days	11 960 668	7 963 586
61 - 90 days	11 755 462	7 826 957
91 - 120 days	7 914 304	5 269 458
121 - 365 days	60 643 850	40 377 556
> 365 days	66 728 889	44 429 066
	175 675 416	116 943 209

Capital receivables

Current (0 -30 days)	1 637 889	3 792 235
> 365 days	3 738 827	3 738 828
	5 376 716	7 531 063

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

	2018	2017
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6. Receivables from non-exchange transactions (continued)

Property rates		
Current (0 -30 days)	16 962 930	13 252 525
31 - 60 days	699 286	448 101
61 - 90 days	599 738	377 964
91 - 120 days	632 848	352 595
121 - 365 days	4 636 112	3 462 360
> 365 days	13 592 164	15 470 893
	37 123 078	33 364 438

Reconciliation of allowance for impairment for receivables from non-exchange transactions

Opening balance	(92 895 353)	(88 950 984)
Reversals to allowance	359 561	343 290
Amounts written off as uncollectible	-	-
Unused amounts reversed	(53 472 020)	(4 287 659)
Contribution to allowance	(146 007 812)	(92 895 353)

7. Other receivables from exchange transactions

Prepayments	3 741 658	3 082 270
Deposits	1 006 508	958 652
Public safety account	949 296	949 296
Special rating area debtor	239 221	217 788
Other receivable	170 839	2 474 031
Parking debtor	101 516	98 710
	6 209 038	7 780 747

8. Inventories

Consumable stores	2 802 059	2 778 059
Maintenance materials	25 744 082	20 605 554
Fuel (Diesel, Petrol)	7 531	286 863
Water	2 766 318	489 639
Land inventory	15 670 525	16 408 729
	46 990 515	40 568 844

The amount of inventory reversed / (written down) is R(197 322) (2017: R (45009) and is recognised as an expense and an reduction in the carrying value of inventories. The circumstances relating to the write down is as a result of stock adjustments and shortages on general stock items as reported and approved accordingly.

The net transfer of GRAP 12 inventory to property, plant and equipment amounted R 3 350 304 (2017: R 6 340 857). Refer to note 10.

Inventory expensed for the year is R 21 430 939 (2017: R 39 836 374).

No inventories were pledged as security for liabilities.

9. VAT receivable

VAT	45 660 337	40 139 579
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

10. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	416 769 324	(20 922 500)	395 846 824	416 768 324	(20 921 500)	395 846 824
Buildings	327 604 393	(42 005 753)	285 598 640	327 604 393	(38 076 477)	289 527 916
Machinery and equipment	33 671 133	(20 339 084)	13 332 049	31 780 573	(19 177 612)	12 602 961
Furniture and office equipment	38 537 245	(24 059 925)	14 477 320	32 271 577	(22 805 062)	9 466 515
Transport assets	121 522 012	(43 139 700)	78 382 312	104 227 736	(35 642 242)	68 585 494
Security measures	63 746 470	(29 004 285)	34 742 185	58 437 938	(24 821 103)	33 616 835
Computer equipment	36 413 134	(18 957 176)	17 455 958	31 628 624	(14 828 297)	16 800 327
Community assets	124 986 943	(25 046 052)	99 940 891	87 218 194	(15 537 100)	71 681 094
Other property, plant and equipment	49 342 465	(24 148 882)	25 193 583	42 653 574	(21 409 264)	21 244 310
Capital restoration asset	14 821 186	(13 918 720)	902 466	14 821 186	(10 910 498)	3 910 688
Electrical infrastructure	842 221 207	(194 476 968)	647 744 239	795 747 597	(173 315 613)	622 431 984
Water supply infrastructure	1 586 891 981	(307 383 462)	1 279 508 519	1 447 431 255	(271 554 712)	1 175 876 543
Solid waste infrastructure	36 536 940	(6 712 048)	29 824 892	36 536 940	(5 698 479)	30 838 461
Roads infrastructure	1 363 511 052	(410 149 395)	953 361 657	1 288 657 820	(359 522 012)	929 135 808
Libraries	7 485 535	(41 665)	7 443 870	3 258 854	(35 187)	3 223 667
Sanitation infrastructure	911 664 077	(101 331 004)	810 333 073	830 960 568	(89 210 095)	741 750 473
Stormwater infrastructure	60 871 681	(44 684 679)	16 187 002	60 108 776	(43 474 617)	16 634 159
Total	6 036 596 778	(1 326 321 298)	4 710 275 480	5 610 113 929	(1 166 939 870)	4 443 174 059



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	395 846 824						395 846 824
Buildings	289 527 916						289 527 916
Machinery and equipment	12 602 961	3 505 938	(125 586)		(3 929 276)	-	285 598 640
Furniture and office equipment	9 466 515	6 969 277	(60 998)		(2 651 264)	-	13 332 049
Transport assets	68 585 494	17 648 928	(354 628)		(1 897 474)	-	14 477 320
Security measures	33 616 835	5 478 189	(65 983)		(7 497 482)	-	78 382 312
Computer equipment	16 800 327	4 939 774	(53 025)		(4 286 856)	-	34 742 185
Community assets	71 681 094	37 768 748	-		(4 231 118)	-	17 455 958
Other property, plant and equipment	21 244 310	6 818 910	(2 259)		(3 441 087)	(6 067 864)	99 940 891
Capital restoration asset	3 910 688				(2 867 378)	-	25 193 583
Electrical infrastructure	622 431 984	44 565 950			(3 008 222)	-	902 466
Water supply infrastructure	1 175 876 543	144 718 691		1 907 661	(21 161 356)	-	647 744 239
Solid waste infrastructure	30 838 461			(5 257 965)	(35 498 277)	(330 473)	1 279 508 519
Roads infrastructure	929 135 808	74 853 232			(1 013 569)	-	29 824 892
Libraries	3 223 667	4 226 681			(50 627 383)	-	953 361 657
Sanitation infrastructure	741 750 473	80 703 509			(6 478)	-	7 443 870
Stormwater infrastructure	16 634 159	762 905			(12 120 909)	-	810 333 073
					(1 210 062)	-	16 187 002
4 443 174 059	432 960 732	(662 479)	(3 350 304)	(155 448 191)	(6 398 337)	4 710 275 480	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

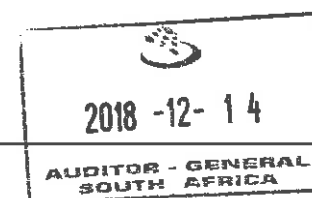
	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	395 846 824	-	-	-	-	-	-	395 846 824
Buildings	293 108 201	352 304	-	-	-	(3 932 589)	-	289 527 916
Machinery and equipment	9 845 926	4 910 818	(854)	-	-	(2 058 594)	(94 335)	12 602 961
Furniture and office equipment	8 549 723	3 571 846	(480 295)	-	-	(2 113 892)	(60 867)	9 466 515
Transport assets	49 547 974	20 556 002	(958 771)	-	-	(486 917)	(72 794)	68 585 494
Security measures	26 272 954	11 765 944	-	-	-	(4 422 063)	-	33 616 835
Computer equipment	9 168 990	11 151 995	(28 418)	-	-	(3 447 775)	(44 465)	16 800 327
Community assets	57 826 480	17 115 066	-	-	-	(3 260 452)	-	71 681 094
Other property, plant and equipment	25 147 945	(20 981)	(1 063)	-	-	(3 833 589)	(48 002)	21 244 310
Capital restoration asset	6 413 415	-	-	-	62 639	(2 565 366)	-	3 910 688
Electrical infrastructure	593 429 375	54 428 911	-	-	-	(25 426 302)	-	622 431 984
Water supply infrastructure	1 166 953 937	50 122 132	-	(6 340 856)	-	(34 759 653)	(99 017)	1 175 876 543
Solid waste infrastructure	30 077 200	2 160 441	-	-	-	(1 399 180)	-	30 838 461
Roads infrastructure	931 567 789	43 415 767	-	-	-	(45 847 748)	-	929 135 808
Libraries	441 592	2 788 543	-	-	-	(6 468)	-	3 223 667
Sanitation infrastructure	570 178 389	183 853 047	-	-	-	(12 280 963)	-	741 750 473
Stormwater infrastructure	17 844 221	-	-	-	-	(1 210 062)	-	16 634 159
	4 192 220 935	406 171 835	(1 469 401)	(6 340 856)	62 639	(147 051 613)	(419 480)	4 443 174 059

Pledged as security

Carrying value of assets pledged as security:

None of the above property, plant and equipment have been pledged as security.

The net transfer of GRAP 12 inventory to property, plant and equipment amounted to R 3 350 304 (2017: R 6 340 856).



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Work in progress

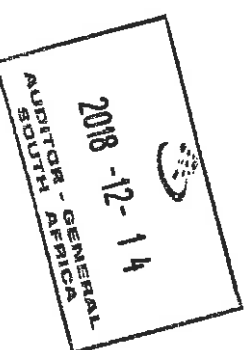
Community assets		
Computer equipment	35 975 603	16 919 812
Electricity infrastructure	787	141 681
Road infrastructure	97 657 612	70 147 778
Storm water infrastructure	60 673 094	26 577 327
Solid waste infrastructure	762 905	-
Sanitation infrastructure	1 534 213	1 534 213
Water Infrastructure	505 623 704	427 185 701
Libraries	210 302 265	87 749 726
Machinery and equipment	7 172 757	3 064 829
Other assets	1 831 428	1 136 957
	4 524 766	3 675 775
	926 059 134	638 133 799

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Community assets		
Electrical infrastructure	47 615	-
Furniture and office equipment	7 510 215	-
Other property, plant and equipment	5 037 593	-
Roads infrastructure	9 704 507	-
Sanitation infrastructure	5 509 778	-
Solid waste infrastructure	6 219 768	-
Storm water infrastructure	766 742	-
Transport infrastructure	160 738	-
Water supply infrastructure	6 883 217	-
	1 215 475	-
	43 055 648	58 259 672

As a result of the mSCOA conversion and implementation, comparable corresponding information at asset class level cannot be provided (due to the change in assets classes year-on-year). The 2016/2017 repairs and maintenance incurred on PPE amounted to R 58 259 672.



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

11. Investment property

	2018		2017	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Investment property	439 997 732	(16 745 708)	423 252 024	439 696 767
				(16 074 209)
				423 622 558
Reconciliation of investment property - 2018				
Investment property			Opening balance	Depreciation
			423 622 558	(370 534)
				423 252 024
Reconciliation of investment property - 2017				
Investment property			Opening balance	Depreciation
			424 265 953	(643 395)
				423 622 558

Pledged as security

None of the above investment property have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Intangible assets

	2018		2017	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software	13 381 914	(5 013 760)	8 368 154	12 717 518
				(3 282 943)
				9 434 575
Reconciliation of intangible assets - 2018				
Computer software, other			Opening balance	Additions
			9 434 575	664 396
				(1 730 817)
				8 368 154
Reconciliation of intangible assets - 2017				
Computer software, other			Opening balance	Additions
			6 847 644	4 031 366
				(1 444 435)
				9 434 575

Expenditure incurred to repair and maintain intangible assets

Intangible assets

150 556

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

13. Biological assets that form part of an agricultural activity

	2018		2017	
	Cost / Valuation	Accumulated depreciation and impairment	Cost / Valuation	Accumulated depreciation and impairment
Trees in a plantation forest	6 321 448	-	6 321 448	8 808 121

Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	Decreases due to harvest / sales	Gains or losses arising from changes in fair value	Total
Trees in a plantation forest	8 808 121	(317 559)	(2 169 114)	6 321 448

Reconciliation of biological assets that form part of an agricultural activity - 2017

	Opening balance	Decreases due to harvest / sales	Gains or losses arising from changes in fair value	Total
Trees in a plantation forest	8 907 000	(149 208)	50 329	8 808 121

Financial information

2018	Opening Balance	Decrease due to Harvest	Fair value (decrease) /increase	Closing balance
Nature and quantities of each biological asset				
Botmanskop Plantation	3 348 278	(317 559)	(2 169 114)	861 605
Paradyskloof Plantation	5 459 843	-	-	5 459 843
	8 808 121	(317 559)	(2 169 114)	6 321 448
2017				
Nature and quantities of each biological asset				
Botmanskop Plantation	3 914 000		(416 514)	3 497 486
Paradyskloof Plantation	4 993 000	(149 208)	466 843	5 310 635
	8 907 000	(149 208)	50 329	8 808 121

The determination of fair value was as follows:

Principle:

Price determination: was done on the basis of current sale value of the tender for the current year i.e. R500/m³ excluding 15% VAT (2017: 14%). This value was given to all trees as the estimated yield takes into consideration the age of the trees. The harvestable age starts from 20 years old where the minimum estimated yield would be 100m³/ha.

It must also be noted that this yield is based on optimum growing conditions and the existing microclimates, and thus the yield might vary per compartment. Refer to the Forestry Handbook p204 which can be obtained at the municipal offices.

Description of the Biological Assets

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

13. Biological assets that form part of an agricultural activity (continued)

1. Botmanskop plantation (Block E)

Some compartments remain which can be harvested at a later stage due to the age of the trees.

2. Paradyskloof plantation (Block G)

Some compartments remain which can be harvested at a later stage due to the age of the trees.

Strategy to mitigate risks

The strategy to mitigate risks attached to this category of assets is to prevent the spread of runaway veld fires by maintaining fire breaks.

Restrictions imposed by regulations

The following information relates to biological assets which use or capacity to sell is subject to restrictions imposed by regulations:

14. Heritage assets

	2018		2017	
	Cost / Valuation	Accumulated Impairment losses	Cost / Valuation	Accumulated Impairment losses
Collections of rare books, manuscripts and records	143 945	-	143 945	-
Historical monuments	630 057	-	630 057	-
Total	774 002	-	724 002	-

Reconciliation of heritage assets 2018

	Opening balance	Additions	Total
Collections of rare books, manuscripts and records	143 945		143 945
Historical monuments	580 057	50 000	630 057
	724 002	50 000	774 002

Reconciliation of heritage assets 2017

	Opening balance	Total
Collections of rare books, manuscripts and records	143 945	143 945
Historical monuments	580 057	580 057
	724 002	724 002

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

14. Heritage assets (continued)

Heritage assets used for more than one purpose

The following heritage assets are used by the municipality for more than one purpose:

Neethlingshuis and De Withuis
58 - 60 Andringa Street
35B Mark Street
127 Dorp Street, Transvalia, Alma & Bosmanshuis flats
116 - 118 Dorp Street, Voorgelegen - offices
4 Reservoir West, Mooiwater
34 Mark Street, Rynse Komplex : Toy Museum, Tourism PMU Building, Alexander Street, Burger Huis
Merriman, Bergzicht Training Centre, Oude Libertas Theatre & Restaurant
Die Laan, Landbou Saal

64 128 495	64 486 222
1 909 036	1 919 137
3 167 222	3 176 414
12 772 559	12 803 367
5 618 071	5 638 273
2 097 228	2 105 309
8 272 559	8 303 367
1 590 874	1 597 439
62 616 217	62 808 743
4 363 599	4 370 417
166 535 860	167 208 688

15. Long term receivable

At amortised cost

Arrangement debtors
Officials: Even loans
Farmers: Water Schemes

3 530 877	5 373 863
5 415	11 433
222 373	249 109
3 758 665	5 634 405

Non-current assets

At amortised cost

2 158 458	3 512 953
-----------	-----------

Current assets

At amortised cost

1 600 207	2 121 452
-----------	-----------

16. Consumer deposits

Electricity
Water
Housing rental

9 506 421	9 101 220
5 645 034	4 950 961
522 470	524 844
15 673 925	14 577 025

17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value
Salary Control
Leave gratuity
Bonus accrual
Post-Retirement Gratuity Obligation
Post employment medical aid benefit
Long service awards
Net liability

Non-current liabilities
Current liabilities

4 267 370	4 556 435
23 351 369	21 683 647
11 084 938	10 546 790
198 749 140	201 981 567
29 621 886	28 469 818
267 074 703	267 238 257
219 186 792	220 222 839
47 887 911	47 015 418
267 074 703	267 238 257

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

17. Employee benefit obligations (continued)

17.1 Post-retirement healthcare benefit liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2018 by C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

The members of the post-employment health care benefit plan are made up as follows:

In-service members (Employees)	620	628
Continuation members (Retirees, widow(ers) and orphans)	168	171
Total members	788	799

The liability in respect of past service has been estimated as follows:

In-service members	103 840 969	104 555 306
Continuation members	94 908 170	97 426 261
Total liability	198 749 139	201 981 567

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rates of interest	9.54 %	9.61 %
Discount rate	7.34 %	7.89 %
Health care cost inflation rate	2.05 %	1.59 %
Net effective discount rate		

ii) Normal retirement age

Expected retirement age - females	63	63
Expected retirement age - males	63	63

The PA (90) ultimate mortality table was used by the actuaries
Pre-retirement: The SA 85-90 ultimate table, adjusted for female lives, was used.

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	201 981 567	209 611 270
Current service costs	8 631 985	8 940 124
Interest cost	19 029 154	19 634 924
Actual employee benefits payments	(7 574 537)	(7 553 317)
Actuarial (losses) / gains	(23 319 030)	(28 651 434)
Present Value of Fund Obligation at the end of the Year	198 749 139	201 981 567

The amounts recognised in the Statement of Financial Position are as follows

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

17. Employee benefit obligations (continued) Net Liability

198 749 139

201 981 567

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	8 631 985	8 940 124
Interest cost	19 029 154	19 634 924
Actuarial (gain)/ loss recognised in profit and loss	(23 319 030)	(28 651 434)
	4 342 109	(76 386)

Amounts for the current and previous four periods are as follows:

Present value of unfunded defined benefit		
2018		198 749 139
2017		201 981 567
2016		209 611 270
2015		192 290 959
2014		124 717 000

Sensitivity analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		103,841	94,908	198,749	
Health care inflation	1 % (1)%	126,596 85,937	103,980 87,024	230,575 172,961	16 % (13)%
Discount rate	1 % (1)%	86,399 126,313	87,237 103,872	173,636 230,185	(13)% 16 %
Post-retirement mortality	-1 year	107,155	98,508	205,664	3 %
Average retirement age	-1 year	112,983	94,908	207,891	5 %
Continuation of membership at retirement	(10)%	94,176	94,908	189,084	(5)%

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest cost	Total	% change
Central assumptions		8 632 000	19 029 200	27 661 200	
Health care inflation	1 % (1)%	10 873 500 6 920 100	22 264 400 16 423 700	33 137 900 23 343 800	20 % (16)%
Discount rate	1 % (1)%	7 020 400 10 757 600	18 196 200 19 926 100	25 216 600 30 683 700	(9)% 11 %
Post-retirement mortality	-1 year	8 919 400	19 727 200	28 646 600	4 %
Average retirement age	-1 year	9 204 800	19 904 400	29 109 200	5 %
Continuation of membership at retirement	(10)%	7 845 900	18 038 000	25 943 900	(6)%

Mortality Rates

68

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

17. Employee benefit obligations (continued)

Post retirement: PA (90) ultimate Mortality table was used.

Pre-retirement: The SA 85-90 ultimate table adjusted for female lives, was used.

Continuation of Membership

With the appointment of ARCH Actuarial Consulting for the year ending 30 June 2018.

The municipality expects to make a contribution of R18 365 562 to the Defined Benefit Plan during the next financial year.

17.2 Long Service Awards

Total Liability

Opening balance
Additions
Utilised during the year
Actuarial (gains) losses

28 469 818	27 719 640
4 722 112	4 706 038
(1 993 489)	(1 827 861)
(1 576 556)	(2 127 999)
29 621 885	28 469 818

Current Liability

2 739 727

2 302 420

Movement in the present value of Long Service Awards were as follows:

Opening balance
Current service cost
Interest cost
Actuarial (gains) losses
Benefits paid
Total included in employee related costs

28 469 818	27 719 640
2 362 635	2 383 546
2 359 477	2 322 492
(1 576 556)	(2 127 989)
(1 993 489)	(1 827 861)
29 621 885	28 469 818

The amount recognised in the Statement of Financial Position are as follows:

Present value of long service awards

29 621 885

28 469 818

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost
Interest cost
Actuarial gains (losses)
Closing balance

2 362 635	2 383 546
2 359 477	2 322 492
(1 576 556)	(2 127 999)
3 145 556	2 578 039

Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover. No other long service benefits are provided to employees.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used
General salary inflation
Net effective discount rate

8.69 %	8.63 %
6.26 %	6.45 %
2.29 %	2.05 %

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

17. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Accrued liabilities	29 621 885	28 469 818	27 719 640	25 716 595	25 036 000

Sensitivity analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		29,622	
General salary inflation	1 % (1)%	31,895 27,592	8 % (7)%
Discount rate	1 % (1)%	27,534 32,002	(7)% 8 %
Average retirement age	- 2 years + 2 years	25,836 33,581	(13)% 13 %
Withdrawal rates	(50)%	31,719	7 %

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central assumptions		2 362 600	2 359 500	4 722 100	
General salary inflation	1 % (1)%	2 606 600 2 149 300	2 555 300 2 184 900	5 161 900 4 334 200	9 % (8)%
Discount rate	1 % (1)%	2 164 900 2 592 000	2 432 800 2 267 200	4 597 700 4 859 200	(3)% 3 %
Average retirement age	-2 years 2 years	2 077 900 2 635 700	2 029 300 2 684 700	4 107 200 5 320 400	(13)% 13 %
Withdrawal rates	(50)%	2 712 000	2 543 600	5 255 600	11 %

18. Operating lease liability

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year
Operating lease expenses recorded
Operating lease revenue realised
Operating lease payments effected

1 439 270	2 073 729
8 345 680	6 143 569
(723 360)	(723 360)
(7 982 430)	(6 054 668)
1 079 160	1 439 270

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

18. Operating lease liability (continued)

Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Amounts Payable under Operating Leases

At the reporting date, the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings: Up to 1 year 2 to 5 years

6 509 708	6 143 569
1 746 814	8 255 136
8 256 522	14 398 705

Vehicles and Other Equipment Up to 1 year

	736 361
--	---------

The following payments have been recognised as an expense in the Statement of Financial Performance:

Total operating lease expenses Minimum lease payments

(8 345 680)	(6 800 029)
-------------	-------------

The following amounts have been recognised as revenue in the Statement of Financial Performance:

Total operating lease income

(723 360)	(723 360)
-----------	-----------

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

19. Other financial liabilities

At amortised cost

Annuity loans - Development Bank of South Africa
Terms and conditions

173 302 138	186 386 067
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Annuity loans from the Development Bank of South Africa have settlement periods of 14 to 15 years with fixed interest varying from 9.25% to 11.10% per annum.

Non-current liabilities At amortised cost

158 800 148	173 302 139
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Current liabilities At amortised cost

14 501 990	13 083 928
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

20. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Reversed during the year	Total
Rehabilitation of landfill sites	77 875 471	1 289 715	-	79 165 186
Clearing of alien vegetation	293 672	-	(293 672)	-
	78 169 143	1 289 715	(293 672)	79 165 186

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill sites	76 290 055	1 585 417	-	77 875 472
Clearing of alien vegetation	6 805 324	-	(6 511 652)	293 672
	83 095 379	1 585 417	(6 511 652)	78 169 144

Clearing of Alien Vegetation

The provision for clearing of alien vegetation relates to the estimated cost for the clearing of alien vegetation from the areas under the jurisdiction of the municipality.

In terms of the Conservation of Agricultural Resources Act, (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that existed. The municipality eradicated the backlog.

The clearing of alien vegetation as an on-going operational expense and is included in the operational budget.

Rehabilitation of Landfill Sites

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R79 165 186 (2017: R77 875 472) to restore the site at the end of its useful life, estimated to be in the 2018/2019 financial year. Provision has been made for the best estimate of costs at the reporting date with reference to the inflation rate.

The unwinding of the provision for landfill site for the current year was R 0 (2017: R0) was included in the contribution to provision figure in the statement of financial performance.

The municipality expects an expenditure outflow of R 0 in the 2018/2019 financial year.

21. Payables from exchange transactions

Accruals at year end	163 706 348	197 934 186
Charitable trust and donations	22 275	15 190
Other creditors	14 110 574	27 290 686
Impounded vehicles	181 925	6 508
Payments received in advanced - contract in process	9 888 914	9 514 270
Prepaid electricity	5 471 811	5 521 954
Retention	45 094 506	40 366 804
Sundry deposits	1 427 213	1 437 879
	239 903 566	282 087 477

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	
Developers contribution - refuse	583 226
Developers contribution - La clemence	1 170 940
Developers contribution - community facilities	853 817
Developers contribution - electricity	22 447 913
Developers contribution - general	117 753
Developers contribution - open areas	165 928
Developers contribution - parking	1 511 442
Developers contribution - roads	20 885 715
Developers contribution - sewerage	11 852 704
Developers contribution - stormwater	3 241 213
Developers contribution - water	9 963 073
Development of sport and recreational facilities	67 669
Franschoek development rights	3 347 553
Franschoek low cost housing (phase 2)	301 300
Housing consumer education	68 010
Human settlement development grant - capital	15 093 045
Human settlement development grant - operational	7 205 606
LGWSETA training	-
Libraries support grant - capital	-
National lottery	1 032 768
Other sources	288 184
Tirelo bosh	-
Non motorised Public Transport Infrastructure/Integrated Transport Planning/Fire Services Capacity Building	-
WCLG Internship and capacity building grant	-
	405 031
	180 000
	101 602 890
	74 438 584

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

23. Accumulated surplus

Total Accumulated Surplus

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

24. Service charges

Sale of electricity	523 067 966	513 225 317
Sale of water	197 306 311	159 539 389
Solid waste	50 008 048	41 059 307
Sewerage and sanitation charges	91 619 120	81 352 318
	862 001 445	795 176 331

The amounts disclosed above for service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. Rental of facilities and equipment

Premises		
Rental Revenue from other facilities	707 946	3 469 882
Rental Revenue from buildings	138 598	34 910
Rental revenue from housing schemes	8 327 704	7 800 218
	10 174 248	11 305 010
Facilities and equipment		
Rental Revenue from Land	4 818 003	5 600 740
	14 992 251	16 905 750

26. Interest earned- outstanding receivables

Sundry	9 466	531 459
Electricity	582 366	687 637
Water	4 271 764	3 143 842
Waste water management	990 380	983 676
Waste management	994 621	1 104 716
	6 848 597	6 451 330

27. Agency services

Vehicle Registration	2 364 609	6 400 483
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The municipality collects lisencc fees on behalf of the provincial government western cape and receives a 12% agency fee.

28. Licences and permits (exchange)

Licences and permits	6 571 243	5 735 114
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

29. Other income

Application fees	1 451 815	1 078 146
Building clause	253 433	280 800
Building plan fees	7 828 136	6 264 573
Cemetery and burial	849 105	740 274
Entrance fees	550 211	721 073
Insurance	115 623	36 638
Clearance certificates	1 423 838	1 669 554
Staff recoveries	524 809	593 842
Parking revenue	3 691 382	3 487 307
Merchandising, jobbing and contracts	2 561 251	3 314 309
Special rating area	4 637 940	4 510 786
Sundry	2 846 893	2 497 645
	26 734 436	25 194 947

The amounts disclosed above are in respect of services, other than described in notes 24 and 25 rendered which are billed to or paid for by users as the services are reclaimed according to approved tariffs or offers received in terms of supply chain procedures, i.e woodsales.

30. Investment revenue

Interest revenue		
Bank	4 537 989	6 245 579
Investment deposits	50 571 642	49 972 967
	55 109 631	56 218 546

31. Property rates

Rates received

Residential	167 104 669	137 666 070
Commercial	123 236 395	137 483 192
Agricultural	19 647 722	14 878 981
	309 988 786	290 028 243

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The last valuation came into effect on 1 July 2017. Two interim valuations were performed during the financial year and implemented accordingly.

The following assessment rates were charged for the period ending June 2018:

R 0.018048 - Non Residential (2017: R 0.01200)
R 0.004512 - Residential (2017: R 0.00599)
R 0.001128 - Agricultural (2017: R 0.00149)

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 7 October. Interest is levied as per council's Credit Control and Debt Collection Policy on outstanding rates amounts.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

32. Government grants and subsidies

Operating grants

Equitable share	1 10 631 000	95 982 000
Arbor city award	300 000	-
Financial management grant	1 550 000	1 325 000
Community development workers	56 000	73 409
LGWSETA training	1 269 193	795 382
Provincial government PHP top structures	3 116 108	8 943 128
Other grants and subsidies operating	-	68 852
Hosting of cultural events	-	300 000
Library services support grant	11 045 000	10 009 000
LG Financial management support grant	14 969	220 000
EPWP support grant	4 820 000	1 758 000
LG Financial management support grant	255 000	-
Spatial development framework grant	-	900 000
Blaauklippen funding	-	2 182 775
	133 057 270	122 567 546

Capital grants

Other sources		7 108 949
Municipal infrastructure grant	36 358 000	34 147 000
Integrated national electrification grant	4 000 000	5 000 000
Energy efficiency and demand side management grant	7 236 000	8 000 000
Maintenance and construction	2 176 000	-
Shared economic infrastructure facility	942 377	-
Human settlement and development grant	20 587 782	10 690 183
Public transport: Transport and safety compliance	1 433 152	4 000 000
Library support grant	3 714 395	3 279 319
Financial management grant	-	150 000
Regional bulk infrastructure grant	-	32 809 000
Fire services capacity building grant	800 000	-
Donated assets	229 596	-
	77 477 302	105 184 451
	210 534 572	227 751 997

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Bulk basic services are also provided free of charge to informal settlements to ensure that these communities have access to basic services.

National government grants- Capital

Current-year receipts	53 964 000	74 882 694
Conditions met - transferred to revenue	(53 964 000)	(74 882 694)
	-	-

The National Government grant includes all the grants that was gazetted in the DORA in 2017/2018. It includes the following grant: Municipal Infrastructure grant, Energy Efficiency Demand Side Management, Energy Efficiency Demand Side Management and Regional bulk Infrastructure grant.

Capital grant income recognised as revenue represents capital expenditure not reflected through the Statement of Financial Performance.

Municipal Infrastructure grant

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

32. Government grants and subsidies (continued)

Financial management grant

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Energy Efficiency Demand Side Management

To provide subsidies to municipalities to implement energy efficiency and demand side management(EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency Outcomes statements

Integrated National Electricity Programme (Municipal) Grant

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including upgrade of informal settlements, new, and normalisation), and the installation of relevant bulk infrastructure.

Expanded public works programme integrated grant for municipalities

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure
- tourism and cultural industries
- waste management
- parks and beautification
- sustainable land-based livelihoods
- social services programmes
- community safety programmes

Provincial government grants- Capital

The Provincial government grant includes all the grants that was gazetted in the Provincial allocations in 2017/2018. It includes the following grants: Human settlement development grant and Library services support grant.

Capital grant income recognised as revenue represents capital expenditure not reflected through the Statement of Financial Performance.

WC Financial Management Support Grant

To provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

Human settlements development grant (Beneficiaries)

To provide funding for the creation of sustainable human settlements.

Community Library Services Grant

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through recapitalised programme at provincial level in support of local government and national initiatives.

Maintenance and construction of transport Infrastructure



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

32. Government grants and subsidies (continued)

To financially assist/subsidise municipalities with the maintenance/construction of proclaimed municipal main roads, where the municipality is the Road Authority (Section 50 of Ordinance 19 of 1976).

Integrated transport planning

To review and update municipal integrated transport plans in terms of the National Land Transport Act, 2009 (Act No. 5 of 2009)

Public Transport Non-Motorised Infrastructure

To provide Non-Motorised Transport (NMT) infrastructure in both the Municipality of Stellenbosch and the Municipality of Overstrand as part of the Provincial Sustainable Transport Programme (Formerly Provincial Public Transport Institutional Framework)

LG Graduate Internship Grant

To provide financial assistance to municipalities in support of capacity building for the future by means of a graduate internship programme

Community Development Workers (CDW) Operational Support Grant

To provide financial assistance to municipalities to cover the operational costs pertaining to the line functions of the community development workers including regional coordinators

Financial Management Capacity Building Grant

To develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

Fire Services Capacity Building Grant

To provide financial assistance to municipalities to ensure functional emergency communication, mobilisation systems and fire services.

Shared Economic infrastructure facility

A programme of the National Informal Business Upliftment Strategy (NIBUS) aimed at contributing to a radical economic transformation through the provisioning of business infrastructure to rural township based enterprises.

Conditions still to be met - remain liabilities. Refer to note 22.

Other sources- Capital

Balance unspent at beginning of year

Conditions still to be met - remain liabilities. Refer to note 22.

Developers contributions- Sewerage

Balance unspent at beginning of year

Current-year receipts

Conditions met - transferred to revenue

6 671 199	3 481 660
5 214 597	3 189 539
(33 092)	-
11 852 704	6 671 199

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

32. Government grants and subsidies (continued)

Developers contributions- Roads

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue

7 469 667	5 696 472
13 416 048	5 673 195
-	(3 900 000)
20 885 715	7 469 667

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Electricity

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue

15 915 173	10 872 337
6 532 740	6 042 837
-	(1 000 001)
22 447 913	15 915 173

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Water

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue

4 675 957	3 163 953
5 344 310	3 012 004
(57 194)	(1 500 000)
9 963 073	4 675 957

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Open areas

Balance unspent at beginning of year

165 928	165 928
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Parking

Balance unspent at beginning of year

1 511 442	1 511 442
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- General

Balance unspent at beginning of year

117 753	117 753
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

32. Government grants and subsidies (continued)

Developers contributions- La Clemence

Balance unspent at beginning of year
Current-year receipts

1 170 940	1 071 598
1 170 940	99 342
1 170 940	1 170 940

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Frandedco development

Balance unspent at beginning of year

3 347 553	3 347 553
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

FHK Low cost housing

Balance unspent at beginning of year

301 300	301 300
---------	---------

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Refuse

Balance unspent at beginning of year
Current-year receipts

705 093	384 029
878 133	321 064
1 583 226	705 093

Conditions still to be met - remain liabilities (see note 22).

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed.

Developers contributions- Stormwater

Balance unspent at beginning of year
Current-year receipts

1 976 853	1 186 424
1 264 360	790 429
3 241 213	1 976 853

Conditions still to be met - remain liabilities (see note 22).

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

32. Government grants and subsidies (continued)

Expanded Public Works Programme

Current-year receipts
Conditions met - transferred to revenue

4 820 000	1 758 000
(4 820 000)	(1 758 000)
-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure
- tourism and cultural industries
- waste management
- parks and beautification
- sustainable land-based livelihoods.

Top structures

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue

7 471 715	323 000
2 850 000	16 121 135
(3 116 109)	(8 972 420)
7 205 606	7 471 715

Conditions still to be met - remain liabilities (see note 22).

To provide funding for the creation of sustainable human settlements

LGW Seta training

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue

576 143	659 530
693 050	711 995
(1 269 193)	(795 382)
-	576 143

Conditions still to be met - remain liabilities (see note 22).

WCLG Internship grant and capacity building grant

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue

180 000	-
240 000	180 000
(14 969)	-
405 031	180 000

Conditions still to be met - remain liabilities (see note 22).

Libraries support grant - capital

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue

1 714 395	-
2 000 000	1 714 395
(3 714 395)	-
-	1 714 395

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

32. Government grants and subsidies (continued)

Non motorised Public Transport Infrastructure/Integrated Transport Planning/Fire Services Capacity Building

Balance unspent at beginning of year	13 152	13 152
Current-year receipts	2 220 000	4 000 000
Conditions met - transferred to revenue	(2 233 152)	(4 000 000)
	-	13 152

Water infrastructure services

Balance unspent at beginning of year	-	1 940 924
Prior period correction	-	(1 940 924)
	-	-

Conditions still to be met - remain liabilities (see note 22).

Housing consumer education

Balance unspent at beginning of year	68 010	68 010
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Conditions still to be met - remain liabilities (see note 22).

Community development support grant

Balance unspent at beginning of year	-	17 409
Current-year receipts	56 000	56 000
Conditions met - transferred to revenue	(56 000)	(73 409)
	-	-

Libraries support grant

Current-year receipts	11 045 000	10 009 000
Conditions met - transferred to revenue	(11 045 000)	(10 009 000)
	-	-

Tirelo Boshia

Balance unspent at beginning of year	675 334	675 334
Current-year receipts	(675 334)	-
Other	-	675 334

Conditions still to be met - remain liabilities (see note 22).

Spatial Development Framework

Balance unspent at beginning of year	(500 000)	500 000
Current-year receipts	(400 000)	400 000
Conditions met - transferred to revenue	(900 000)	(900 000)
	-	-

To update the Human Settlements HSP as part of the Built.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

33. Fines, Penalties and Forfeits

Municipal Traffic Fines	112 832 375	102 760 055
Other fines	1 934 793	56 570
	114 767 168	102 816 625

34. Employee related costs

Acting allowances	967 432	1 351 870
Basic	291 071 777	270 605 869
Bonus	19 663 049	18 486 320
Car allowance	9 918 888	11 064 774
Cellphone allowance	943 753	750 123
Group insurance	2 932 195	3 608 103
Entertainment	4 390	-
Housing benefits and allowances	2 232 675	2 143 385
Medical aid - company contributions	20 026 902	18 811 925
Performance bonus	322 731	-
Workmen compensation	2 934 237	2 384 420
Overtime payments	32 633 229	22 551 546
Pension fund contribution	42 330 716	39 036 152
Severance package	-	562 710
Standby allowance	11 362 213	10 433 302
Sundry allowance	3 659 056	5 269 645
Bargaining council	232 347	173 628
Travel, motor car, accommodation, subsistence and other allowances	1 028 973	491 944
UIF	2 314 318	1 849 392
	444 578 881	409 575 108

Remuneration of municipal manager

Annual Remuneration	1 367 733	569 390
Car Allowance	130 580	60 000
Performance Bonuses	90 750	-
Contributions to UIF, Medical and Pension Funds	330 713	131 492
Telephone allowance	22 800	11 400
	1 942 576	772 282

Acting allowance paid to Acting Municipal Manager

837 650

Remuneration of chief finance officer

Annual Remuneration	1 489 418	1 432 739
Car Allowance	128 479	127 318
Contributions to UIF, Medical and Pension Funds	28 317	15 218
Telephone allowance	22 800	-
	1 669 014	1 575 275

Remuneration of the Director Human Settlements

Annual Remuneration	992 155	914 282
Car Allowance	125 884	130 031
Performance Bonuses	62 202	-
Contributions to UIF, Medical and Pension Funds	233 630	207 751
Telephone allowance	22 800	15 900
	1 436 671	1 267 964

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

34. Employee related costs (continued)

Remuneration of the Director Community & Protection Services

Annual Remuneration	983 232	923 844
Car Allowance	135 224	132 000
Performance Bonuses	62 202	-
Contributions to UIF, Medical and Pension Funds	210 884	188 195
Other	-	29 341
Telephone allowance	22 800	15 900
	1 414 342	1 289 280

Remuneration of the Director Engineering Services

Annual Remuneration	1 186 131	184 979
Car Allowance	120 000	3 800
Contributions to UIF, Medical and Pension Funds	21 127	2 361
Housing allowance	-	20 000
Telephone allowance	22 800	-
	1 350 058	211 140

Acting allowance paid to acting Director(s) Engineering Services

77 696

Remuneration of the Director Strategic & Corporate Services

Annual Remuneration	1 163 279	327 249
Car Allowance	139 200	51 200
Contributions to UIF, Medical and Pension Funds	24 733	36 230
Telephone allowance	22 800	5 300
	1 350 012	419 979

Acting allowance paid to acting Director(s) Strategic and Corporate Services

122 193

Remuneration of the Director Planning & Economic Development

Annual Remuneration	1 048 276	1 085 991
Car Allowance	127 112	159 891
Performance Bonuses	-	14 048
Contributions to UIF, Medical and Pension Funds	20 618	-
Telephone allowance	19 000	15 900
	1 215 006	1 275 830

Acting allowance paid to acting Director Planning and Economic Development

29 723

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

35. Remuneration of Councillors

Deputy Executive Mayor	398 659	16 094 449
Councillors	16 908 898	
	17 307 557	16 094 449

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the council.

Executive Mayor	612 044	581 639
Deputy Mayor	456 002	440 352
Speaker	456 002	460 825
Chief whip	441 743	414 244
MPAC Chair	414 977	209 147
S79 Chair	248 503	85 710
Mayoral committee	3 450 293	3 242 655
Councillors	5 246 237	5 311 931
Medical aid contributions	204 379	201 945
Pension fund contributions	505 090	384 908
Travelling allowances	4 060 066	3 703 826
Telephone allowances	1 057 537	902 950
Data cards	154 686	154 317
Kim Tax		5 032
Skills Development Levies	144 878	137 015
	17 452 437	16 236 496

36. Contribution to/from provision

Landfill site	996 043	1 536 603
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37. Contribution to employee benefit obligation

Post-retirement healthcare benefit liability	4 342 109	(76 386)
Long service award	3 145 556	2 578 039
Leave gratuity	4 240 000	4 451 652
	11 727 665	6 953 305

38. Depreciation and amortisation

Property, plant and equipment	155 448 205	147 051 613
Investment property	370 533	643 386
Intangible assets	1 730 817	1 444 436
	157 549 555	149 139 445

39. Finance costs

Current borrowings	18 775 322	19 626 895
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

40. Debt impairment

Electricity	422 539	922 864
Refuse	2 219 946	2 490 523
Sewerage	1 830 178	2 112 056
Water	8 854 722	6 996 557
Housing rental	3 281 552	3 909 170
Sundries		1 390 989
Rates	1 746 333	892 488
Traffic fines	29 615 310	63 454 640
	47 970 580	82 169 287

41. Contribution to allowance to/from provision

Receivable from exchange allowance contribution
Receivable from non-exchange allowance contribution

(150 848)	578 479
53 112 461	3 944 369
52 961 613	4 522 848

42. Bulk purchases

Electricity
Water

313 552 804	323 673 053
16 128 894	24 154 518
329 681 698	347 827 571

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the City of Cape Town and Department of Water and Forestry.

43. Contracted services

Outsourced Services

Cleaning Services
Litter Picking and Street Cleaning
Refuse Removal
Security Services
Other
Traffic Fines Management

994 050	7 818 674
4 632 094	6 959 893
12 062 857	9 560 142
8 232 281	7 024 653
5 357 016	7 632 493
7 919 363	5 941 827

Consultants and Professional Services

Business and Advisory
Infrastructure and Planning
Laboratory Services
Legal Cost

12 524 701	14 455 962
7 183 008	12 747 360
1 111 518	1 009 701
5 194 399	14 909 108

Contractors

Maintenance of Buildings and Facilities
Maintenance of Equipment
Maintenance of Unspecified Assets
Prepaid Electricity Vendors
Other

11 985 729	8 501 046
1 754 593	2 224 223
28 663 711	29 368 277
7 092 895	8 150 604
8 302 257	12 853 941
123 010 472	149 157 904

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

44. Grants and subsidies paid

Other subsidies
Grant-in-aid tourism
Grant-in-aid animal welfare
Grant-in-aid sundries

3 714 185	3 829 500
1 000 000	931 500
1 547 000	2 171 896
6 261 185	6 932 896

45. General expenses

Advertising, publicity and marketing
Assets less than capitalisation threshold
Auditors remuneration
Bank charges, facility and card fees
Cellphone cost
Commissions
External computer services
Full time union representative
Hire charges
Honoraria (voluntary workers)
Indigent relief
Insurance
Internal consumption
Internal consumption expenses
Inventory - materials and supplies
Inventory - standard rated
Inventory - zero rated
Licence fees
Management fees
Office decorations
Other expenses
Printing, publications and books
Professional bodies, membership and subscription
Registration fees
Telephone cost
Title deed search fees
Uniform and protective clothing
Vehicle tracking

2 965 885	3 493 354
846 456	298 028
5 409 490	3 938 129
1 252 160	869 151
5 858 730	5 586 127
2 389 781	2 082 844
8 248 595	7 466 103
190 727	21 292
3 450 551	795 129
25 700	18 000
13 818 303	5 585 628
4 597 308	4 502 607
7 837 062	8 491 655
3 853 769	3 624 985
20 842 813	19 849 091
5 082 460	4 529 155
10 209 648	10 537 119
1 075 367	970 757
7 389 957	6 161 380
29 075	53 010
1 133 392	10 676 221
840 794	1 107 639
5 215 168	3 909 927
2 611 482	599 616
30 828	22 048
565 588	92 311
3 353 903	3 463 129
1 111 570	331 914
120 236 562	109 076 349

The comparative figures were restated. Refer to note 61.20

46. Fair value adjustments

Gain arising from changes in fair value less costs to sell on biological assets
Other financial assets
• Discounting of long term receivables

(2 169 114)	50 329
1 373 308	894 891
(795 806)	945 220

Movement in discounting of long term receivables
Opening balance
Discounting

(3 286 796)	(4 181 687)
1 373 308	894 891
(1 913 488)	(3 286 796)

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

47. Cash generated from operations

Surplus	263 578 626	217 967 079
Adjustments for:		
Depreciation and amortisation	157 549 555	149 139 446
Loss on sale of assets and liabilities	(426 920)	(624 922)
Fair value adjustments	795 806	(945 220)
Impairment deficit	6 398 337	419 484
Debt impairment	47 970 580	82 169 287
Operating lease liability	(360 110)	(634 459)
Movements in retirement benefit assets and liabilities	(163 554)	(658 292)
Movements in provisions	996 042	(4 926 235)
GRAP 12 infrastructure inventory	3 350 304	6 340 856
Change in restoration	-	(62 639)
Changes in working capital:		
Inventories	(6 421 671)	(6 000 601)
Other receivables from exchange transactions	1 571 709	2 910 130
Receivables from exchange transactions	(63 169 973)	(48 405 826)
Receivables from non-exchange transactions	(43 053 169)	(71 364 229)
Payables from exchange transactions	(42 163 920)	80 169 753
VAT	(5 520 758)	(8 119 500)
Unspent conditional grants and receipts	27 164 306	36 849 827
Consumer deposits	1 096 900	1 385 651
	349 172 090	435 609 590

48. Financial assets by category

The financial assets of the municipality are classified as follows:

2018

Cash and cash equivalents
Receivables from exchange transactions
Other receivables from exchange transactions
Receivables from non-exchange transactions
Investments
Long term receivables

Amortised cost	Total
23 062 587	23 062 587
214 466 298	214 466 298
2 467 380	2 467 380
10 337 516	10 337 516
505 617 672	505 617 672
3 758 665	3 758 665
759 710 118	759 710 118

2017

Cash and cash equivalents
Receivables from exchange transactions
Other receivables from exchange transactions
Receivables from non-exchange transactions
Investments
Long term receivable

Amortised Cost	Total
46 317 058	46 317 058
167 905 262	167 905 262
4 698 477	4 698 477
8 024 378	8 024 378
575 418 314	575 418 314
5 634 405	5 634 405
807 997 894	807 997 894

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

49. Financial liabilities by category

The financial liabilities of the municipality are classified as follows:

2018

	Amortised cost	Total
Consumer deposits	15 673 925	15 673 925
Other financial liabilities	173 302 138	173 302 138
Unspent conditional grants	101 602 890	101 602 890
Payables from exchange transactions	224 542 841	224 542 841
	515 121 794	515 121 794

2017

	Amortised cost	Total
Consumer deposits	14 577 025	14 577 025
Other financial liabilities	186 386 067	186 386 067
Unspent conditional grants	74 438 584	74 438 584
Payables from exchange transactions	267 051 253	267 051 253
	542 452 929	542 452 929

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Company Secretary's Certification

50. Risk management

Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2008.

The capital structure of the municipality consists of debt, which includes the Other financial liabilities disclosed in Note 19, Bank, Cash and Cash Equivalents and Equity in Note 3, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

Financial risk management objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	15 673 925	-	47 793 625	95 060 316
Other financial liabilities	14 501 990	15 946 207	-	-
Payables from exchange transactions	224 542 841	-	-	-
Unspent conditional grants and receipts	101 602 890	-	-	-
At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	14 577 025	-	-	-
Other financial liabilities	13 083 928	14 501 990	-	111 615 655
Payables from exchange transaction	267 051 253	-	47 184 493	-
Unspent conditional grants and receipts	74 438 584	-	-	-

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

50. Risk management (continued)

Interest rate risk management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of an allowance for impairment.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of receivables are drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no variable rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Receivables are provided for based on estimated irrecoverable amounts, determined by reference to a non payment rate.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

50. Risk management (continued)

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Payment to accounts of consumer debtors who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

There is no collateral held for security in respect of consumer debtors.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Cash and cash equivalents	23 062 587	46 317 058
Short term investments	505 617 672	575 418 314
Receivables from exchange transactions	214 466 298	167 905 262
Other receivables from exchange transactions	2 467 380	4 698 477
Receivables from non-exchange transactions	10 337 516	8 024 378
Long term receivable	3 758 665	5 634 405
	759 710 118	807 997 894

Foreign currency risk management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

51. Commitments

Authorised capital expenditure

Already contracted for but not provided for

- Property, plant and equipment
- Other

	248 084 443	100 717 109
	37 648 610	40 156 665
	285 733 053	140 873 774
Total capital commitments	285 733 053	140 873 774
Already contracted for but not provided for		

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

52. Contingencies

Stellenbosch Municipality / Silver Crest Trading 161 (Pty) Ltd and Stellenbosch Municipality / Vinyl Investments (Pty) Ltd

Instruction to stop illegal building works and demolish the illegal building works. Court order was obtained to demolish the illegal building work, but when we proceeded to execute the court order, we established that the property was already transferred into the new owner's name, Vinyl Investments (Pty) Ltd. The attorneys had to give notice to the new property owner and drafted a founding affidavit to institute legal action against the new owner. Reference: G Potgieter/ A Ras

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Francois Jansen

Application for eviction of unlawful occupants from municipal property.

Management's estimate of the financial exposure R 50 000.

Stellenbosch Municipality / Tania Wasmuth And Others

Application for eviction of unlawful occupants from municipal property.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Cobus Visagie

Approximately R684 000.00 owed by Cobus Visagie for a tender to harvest wood.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Klipmuts Mediation

Municipality under obligation to provide emergency housing to evictees of various eviction orders in Klipmuts. Klipmuts community has threatened violence against evictees and destruction of property should the municipality proceed to utilise Klipmuts housing facilities for evictees rather than for members of the Klipmuts community. Independent expert mediator appointed to facilitate mediation which is currently pending. Mediator had meetings with the community and a committee was elected to discuss the matter and proposals made. The chairperson of the Committee was not available for a period to attend meetings and new proposed dates were arranged by the mediator for such meetings. Reference: KYDBERG/S613

Management's estimate of the financial exposure R250 000.

Stellenbosch Municipality / T & N Thabo

Application to demolish two illegal nutec structures on the Property. A court order was obtained to demolish the illegal structures, but allows the respondents to demolish the structures themselves or to submit building plans for approval and should they fail to do so, the sheriff be instructed to demolish the illegal structures.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Orey

Eviction application.

Management's estimate of the financial exposure R40 000.

Stellenbosch Municipality / Visagie & Tromp

Eviction of illegal occupiers on municipal land

Management's estimate of the financial exposure R55 000.

Stellenbosch Municipality / Dillon Carelse

Eviction application of illegal occupiers from municipal land

Management's estimate of the financial exposure R40 000.

Stellenbosch Municipality / Surita Layman

Application to set the sale of property aside

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

52. Contingencies (continued)

Management's estimate of the financial exposure R130 000.

Fredericksburg Landgoed (Pty) Ltd & Others / Stellenbosch Municipality & Others

This matter, an application in terms of the National Environmental Management Act 107 of 1998 to have a directive issued against the Municipality, has now been partly concluded and only legal costs and disbursements for which the Municipality may be liable for have to be taxed. This has not been done for the past 7 years.

This matter does not involve any amounts claimed. Reference: RB Africa / AE Esterhuizen / 1901064 / 1988215

Management's estimate of the financial exposure R200 000.

Fusion properties 233 cc / The Municipality of Stellenbosch

This matter involves a summons issued against the Municipality for alleged damages pursuant to the sale of certain immovable property belonging to the Municipality.

The amount claimed are R32 115 000.00 together with interest calculated at the rate of 9% per annum from 28 July 2015.

The Municipality is defending the action. Pleadings have now closed and the Plaintiff is in the process of applying for a court date Reference: RB Africa / S Kgomo / 3006430

Should the litigation against the Municipality be successful, the estimate of financial exposure will be the R32 115 000.00 together with interest calculated at the rate of 9% per annum from 28 July 2015 including legal costs and disbursements of approximately R500 000.00.

Independent Schools Association of Southern Africa / eThekweni Municipality / Stellenbosch Municipality & Others

This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekweni Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant and the parties are in the process of exchanging pleadings.

An interlocutory application brought by the National Minister of Finance and National Minister of Co-operative Governance and Traditional Affairs for the variation and/or rescission of a court order regarding the provision of the record and for certain documents to be excluded from the record was set down and heard on 4 August 2014. Judgment has been delivered and the parties are now in the process of preparing and exchanging supplementary papers.

The Minister for Co-operative Government and the Minister of Finance have filed their answering affidavit to the Municipality's Founding affidavit and supplementary affidavit in the counter application. ISASA has filed its answering affidavit to the Municipality's supplementary affidavit in the counter application. Our attorneys have submitted the Municipality's replying affidavit to both the Minister's and ISASA's answering affidavit. The matter is ready for enrolment.

This matter does not involve any amounts claimed. Reference: RB Africa / AE Esterhuizen / 2083835

Management's estimate of the financial exposure R250 000.

GD Wallace No / Stellenbosch Municipality

Filed notice of intention to defend and Notice of Bar to file their declaration. Haven't received anything from Plaintiff's attorneys so far. Not requesting that matter be placed on roll, as Stellenbosch Municipality is Defendant. Reference: STB1/0110

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Mandisi Parscal Jeiane

Illegal structure was erected without approved building plan and the occupiers need to be evicted

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Siyazama Co Construction (Pty) Ltd

Contractor illegally occupied the property leased to a crèche and need to be evicted.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

52. Contingencies (continued)

Stellenbosch Municipality / E Ross & Others

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of the property at 609 Lavanda Flats, Jan Cillier Street, Stellenbosch, due to the Respondents actions. The eviction application is still pending

Management's estimate of the financial exposure R200 000.

Stellenbosch Municipality / L Bailey & Another

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of the property at 108 Aurora Flats, Jan Cillier Street, Stellenbosch, due to the Respondents actions. The eviction application is still pending

Management's estimate of the financial exposure R200 000.

Stellenbosch Municipality // A De Ruiter & Others

An eviction application was instituted by Stellenbosch Municipality to have the Respondents, evicted from the property, Erf 5281 Idas Valley, due to the Respondents actions. The eviction application is still pending

Management's estimate of the financial exposure R350 000.

Stellenbosch Municipality / J Morgan & Others

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of the property at 12 Weber Street, Idas Valley, Stellenbosch due to the respondents actions. The eviction application is pending.

Management's estimate of the financial exposure is R200 000.

Stellenbosch Municipality / Phumlomo & Others

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of the property at 3 Mandana Street, Kayamandi, Stellenbosch due to the Respondents actions. The eviction application is still pending.

Management's estimate of the financial exposure is R200 000.

Zenobia Campbell / Stellenbosch Municipality

Applicant for the position of Senior LED Officer: Rural Development instituted a monetary claim against the Municipality for the payment of damages as a result of the fact that she was not employed by the Municipality.

Should the litigation against the Municipality be successful, the estimate financial exposure will be between R8 812 713.16 and R4 614 781.34 together with interest including legal costs and disbursements of approximately R200 000.00.

Stellenbosch Municipality / Stellenbosch Golfklub

This matter relates to a contractual dispute regarding the payment of rates and taxes by the Stellenbosch Golfklub to the Municipality. In terms of the long term lease agreement any dispute must be referred to arbitration.

Management's estimate of the financial exposure R100 000.

John Cloete T/A Jonty Engineering And Trading Sa Cc / Stellenbosch Municipality

Claim for payment of an amount of R298 030.00 for goods and services rendered in terms of an approved tender.

Management's estimate of the financial exposure R350 000.

S Jacobs / Stellenbosch Municipality

Claim for damages for alleged sexual harassment verbal abuse and victimisation, intimidation, harassment and unfair discrimination

Claim for 24 months' salary and maximum compensation for unfair discrimination, harassment and victimisation including sexual harassment and damages for the action of the employer.

Lizelle Moses / Stellenbosch Municipality

Claim of unfair labour practice relating to provisions of benefits in terms of section 186(2)(a) of the Labour Relations Act. Mrs Moses claimed that her benefit should have been upgraded by the implementation of TASK. The ruling needs to be rescinded and set aside.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

52. Contingencies (continued)

Management's estimate of the financial exposure R100 000.

Stellenbosch / Urian Groenewald & Jacques Francois Swart

Motor vehicle collision in which the municipal traffic lights were damaged

Management's estimate of the financial exposure R50 000.

53. Related parties

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004. Loans, together with conditions thereof granted prior to this date are disclosed in note 15 in the annual financial statements.

Remuneration of management

Compensation of key management and personnel is set out in notes 32 and 33 respectively in the annual financial statements.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

54. Awards to close family members in the service of the state

The detail listed below is disclosed in terms of Regulation 45 of the Municipal Supply Chain Regulations 2005 that determines that the municipality must disclose particulars of any awards of more than R2 000 to a person who is a spouse, child or parent of a person in service of the state or has been in service of the state in the previous twelve months.

Supplier	Name	State Department	Spouse, Child or Parent	2018	2017
Aurecon South africa (Pty) Ltd	Refer to detail below	Refer to detail below	Spouse, Child and Parent	13 108 894	7 299 908
ARB Electrical Wholesalers (Pty) Ltd	J Modise	Eskom Holdings: Non Executive Director and Road Accident Fund (RAF) CEO	Spouse	40 276	62 065
Bergstan South Africa	C Beukes	Department of Social Development	Spouse	145 920	459 842
Kemanzi (Pty) Ltd	J N Du Toit	City of Cape Town	Spouse	529 330	724 401
CSM Consulting Services	A Vancouillie	Department of Environmental affairs and Development Planning	Child	334 099	214 087
Exeo Khokela Civil	T Meyer	Department of Education	Child	12 438 725	14 223 700
Angra Tours	Z L Cloete	Stellenbosch Municipality	Spouse	-	4 000
Red Hills Electronics	L Hartley	Department of Education	Spouse	4 992 149	1 751 603
Milhon HVAC	J Sampson	Stellenbosch Municipality	Spouse	196 735	241 906
NCC Environmental Servicess (Pty) Ltd	C Rhode	City of Cape Town	Spouse	33 429	11 897
Helderberg Business	N Hitchert	Department of Agriculture	Spouse	11 880	36 384
Rhode Bros Steel Pro	D Rhode	South African Police Service	Child	36 384	400 958
Flowers in the Foyer	E Gunter	Other Government department	Spouse	2 420	8 600
Silver Solutions 1765	D Simpson	Department of Education	Spouse	13 000	25 000
Element Consulting	S Pienaar	Department of Local Government	Spouse	595 298	127 696
Payless Fitment Centre	R Olivier	Department of Social Development	Spouse	7 767	36 982
Idas Valley Cleaning Solutions	G Jonkers	Stellenbosch Municipality	Child	53 230	288 570
	C Jonkers	Department of Local Government			
Idas Valley Service Centre	J Bergstedt	Stellenbosch Municipality	Spouse	105 621	120 108
IKapa Reticulation and flow	S Davids	Department of Education	Child	2 146 549	1 601 234
Isuzu Truck Centre (Pty) Ltd	E Jacobs	Department of Local Government	Spouse	-	46 182
Smec South Africa (Pty) Ltd	Y Phosa	Department of the Premier		81 420	174 648
Altimax (Pty) Ltd	ID Joubert	Department of Education	Spouse	-	531 468
	A Muller	Department of Social Development	Spouse		
	J Muller	Department of Social Development	Parent		
AECOM SA (Pty) Ltd	Refer to detail below	Refer to detail below	Spouse, Child and Parent	5 299 688	4 130 271
Conlog (Pty) Ltd	N Moodley	Department of Health	Spouse	2 475 583	1 806 441



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

54. Awards to close family members in the service of the state (continued)

Rhotec	P Rhode	Department of Education	Spouse	162 657	166 414
EM and EN Caterers	K Davids	Stellenbosch Municipality	Child	-	780
CJV Toilet Paper	Director	Department of Local Government		-	3 863
Steven Happie	F Happie	City of Cape town		111 742	372 890
G and G Maintenance	GB Gabriels	Department of Local Government	Parent	87 017	332 820
Novus3 (Pty) Ltd	M De Vries	Department of Education		1 101 589	1 870 740
	J Scheepers	Council for Medical Services			
Landfill Consult (Pty) Ltd	MM Dube	DICRO		2 601 214	688 661
Man 4 Trading (Pty) Ltd	MS Samuels	Department of Education	Spouse	128 030	93 370
Blue Planet Trading	W De Kock	Stellenbosch Municipality	Parent	196 810	61 382
ARCUS GIBB	B September	City of Cape Town	Spouse	315 453	173 149
ELT B Construction	L Adams	Department of Local Government	Spouse	-	66 670
ME Grow Mega Construction	J Sampson	Stellenbosch Municipality	Aunt	16 400	87 390
Stellenbosch Hospice	L Esau	Department of Local Government	Spouse	40 000	40 000
Massamatic (Pty) Ltd	Mr Barnard	Department of Health	Brother in law	121 635	245 710
Mpumamanzi Group CC	E Bouwers	Department of Health	Parent	253 361	228 528
Appolis Rashaad	J Sampson	Stellenbosch Municipality	Spouse	-	760
EAM 73 Enterprises	Ms Meyer	Department of Education	Spouse	26 550	217 710
MA Johnson T/A TC Events	L Johnson	Other Government Departments	Child	11 970	40 000
MZR Electrical and Building (Pty) Ltd	JD Rosenberg	Department of Local Government	Spouse	13 200	337 600
Sowerby Engineering	J Scheepers	Department of Education	Spouse	-	484 623
SMS ICT CHOCE (Pty) Ltd	Mrs Maqula	Department of Health	Spouse	318 351	1 533 216
Mindspring Computing	R Loghdey	Other Government Departments	Spouse	491 601	73 646
Dennis Moss Vennoots	SW van der Merwe	Stellenbosch Municipality	Spouse	-	4 988
HJ Productions	Director	Department of Agriculture	Spouse	59 410	23 850
Sipakhame Skills Development	NV Drake	Drakenstein Municipality	Spouse	-	414 480
Mubeko Africa (Pty) Ltd	J Niehaus	Department of Health	Spouse	498 663	-
Vuyani Electrical Supplies	M Agulhas	City of Cape Town	Child	530 858	-
LM Supplies (Pty) Ltd	G Hanson	Department of Local Government	Spouse	22 398	-
Du Toit Environmental	F Shariff	Department of Local Government	Spouse	55 050	-
				49 812 356	41 891 191

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

54. Awards to close family members in the service of the state (continued)

The following are the close family names of Aurecon South Africa (Pty) Ltd.

Name	State Department	Spouse, Child or Parent
HC Ahlschlager	Special investigation unit; Legal representative	Spouse
B Alheit	Denel Dynamics; Executive Manager	Parent
CMM Barnard	Gauteng Department of Education, Deputy Principle	Spouse
CJ Barry	City of Cape Town; Head Finance	Spouse
Prof C.J.G. Bender	University of Johannesburg, Professor	Spouse
J Blackmore	Department of Public Works; Project Manager	Parent
T Botha	Oudstroom Municipality; Technical Manager	Parent
Councillor JJJ Daniels	West Coast District Municipality; Deputy Mayor	Parent
MC Dunga	South African Navy; Engineer in Training	Spouse
WZ Erasmus	Cape Nature; Programme Manager	Spouse
HG Esterhuysen	West Coast District Municipality; Senior Manager Roads	Spouse
N Geldenhuys	Transnet Port Terminals; Mechatronic Engineer	Child
T Govender	Umgeni Water; Fleet Management Administrator - Asset Management	Child
N Grobbelaar	Central University of Technology; Programme Manager	Spouse
SM Grobbelaar	Northern Cape Education Department of Cooperative Governance; Human Settlements and Traditional Affairs; Town Regional Planner	Parent
Cr B Groenewald	Twaing Municipality; Councillor	Parent
Cr CP Herbst	Dr S Mornpati District Municipality; Councillor	Parent
E Herlodi	Manager Investigation Services; Limpopo Department of Economic Development and Tourism	Parent
A Heyns	Stellenbosch Municipality; Assistant Superintendent	Parent
JH Higgs	SARS; Regional Manager	Spouse
A Hougaard	Department of Correctional Services; Principle Network Controller	Spouse
J Jacobs	Eastern Cape Department of Education; Personal assistant to Chief Director	Spouse
T Kholoanyane	Naledi Local Municipality; Tourism Manager	Spouse
B Kleynhans	Hessequa Municipality; Accountant	Parent
Cr BJ Kriegler	Cape Winelands District Municipality and Breede Valley Municipality; Councillor	Parent
M Marques	Department of Home Affairs; Deputy Director	Spouse
RT Mehlala	Eastern Cape Arts and Culture Council; Chief Executive Officer	Parent
R Meyer	Telkom SA; Project Manager	Parent
AJ Moore	Department of Water affairs; Chief Engineer	Spouse
K Nadasen	National Department of Public Works; Director Key Account Management	Spouse
R Nair	eThekweni Municipality; Building Inspector	Parent
D Ntsebeza	Buffalo City Metropolitan Municipality	Spouse
NH Ntsebeza	Eastern Cape Department of Health	Parent

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

54. Awards to close family members in the service of the state (continued)

SIM O'Connell	Sol Plaatjies Municipality; Librarian	Spouse
JF Phillips	Northern Cape Department of Economic Development and Tourism; Manager - Township Revitalisation	Spouse
PS Pretorius	Sol Plaatjies Municipality; Chief Officer	Parent
JH Rieker	SA Reserve Bank; Engineering	Spouse
JM Robertson	Ekurhuleni Metropolitan Municipality; Roads Engineer	Parent
G Saainan	Auditor General Kimberley; Manager	Child
JJ Saaiman	Armscor; Quality Manager	Parent
J Scheepers	Council for Medical Schemes; Chief Financial Analysts	Spouse
EM Schon	Northern Cape Department of Co-operative Governance; Human Settlements and Traditional affairs; Assistant Manager	Spouse
Dr M Shead	Nelson Mandela Bay Metropolitan University; Senior Manager- Staff Development	Spouse
R Tebane	Ekurhuleni Metropolitan Municipality; Executive Manager	Parent
J Theron	Nelson Mandela Bay Metropolitan University; Head: Graduate School Relations	Spouse
Gu Tong	North West Department of Finance; Deputy Director	Parent
N Towers	Department of Mineral Resources; Inspectorate of Mines	Parent
J Tredoux	Department of Water Affairs; Deputy Director Accounts Payable	Spouse
A Treurnich	Umlindi Municipality; Community Services Assistant Director	Parent
AN van Taak	Stellenbosch Municipality; Director Water and Sewerage	Parent
ZC Venter	Eastern Cape Department of Health; Deputy Director Employment Relations	Spouse
PC Vermeulen	City of Cape Town; Superintendent - Building Maintenance	Parent
J Wilkins	Correctional Services; Vice Director- Provincial	Parent
NS Wolmarans	IDC; Senior Accounts Manager	Spouse
NS Wolmarans	University of Johannesburg; Professor	Spouse
SW Zulu	Kwazulu Natal Department of Health; Human Resources Manager	Parent

The following are the close family names of AECOM South Africa (Pty) Ltd.

Name	State Department	Spouse, Child or Parent
Sandra	Bloem water	Parent
A Powell	Department of Education	Spouse
L Wolff	Department of Education	Spouse
M Breytenbach	Eendracht Primary School	Spouse
A Rossouw	Eskom	Child
A Mahomed	eThekweni Municipality	Spouse
R Meyer	Grey College	Parent
E Venter	Gauteng Education Department	Spouse
C van der Merwe	Protea Park Primary School	Spouse
JHS Viljoen	SA Air Force- Waterkloof	Spouse
JC van der Walt	SANRAL	Parent
T Liversage	Transnet	Spouse
P de Waal	University of Portoria	Spouse
A De Wet	UNISA	Spouse

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

55. Events after the reporting date

Management is not aware of any material event which occurred after the reporting date and up to the date of this report.

56. Unauthorised expenditure

Opening balance	2 175	-	2 175
Municipal Manager	2 175		2 175

Overspending on non-cash items namely Depreciation, Debt Impairment and Contributions to Provisions contributed to the overspending per vote for the year under review. These line items were budgeted for but expenditure was more than anticipated, this does not constitute physical outflows of cash but is deemed unauthorised in terms of National Treasury MFMA Circular no 68: Unauthorised, Irregular, Fruitless and Wasteful Expenditure dated 10 May 2013.

57. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure for the year under review.

58. Irregular expenditure

Opening balance	18 513 578	19 285 835
Add: Irregular Expenditure - current year	29 275 088	2 040 980
Less: Amounts written off	(5 975 650)	(2 813 237)
	41 813 016	18 513 578

59. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Council subscriptions	5 251 450	4 325 993
Amount paid - current year	(4 988 878)	(4 109 693)
Early settlement discount	(262 573)	(216 300)
Additional Inv 2017/2018 based on National Treasury	547 648	-
	547 647	-

Audit fees

Opening balance	116 174	11 200
Current year Audit Fee	5 300 563	4 501 398
Amount paid - current year	(5 409 490)	(4 385 224)
Amount paid - previous year	(492)	(11 200)
	6 755	116 174

Balance Unpaid (included in Creditors)

VAT

VAT receivable	45 660 337	40 139 579
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All VAT returns have been submitted by the due date throughout the year.

The total VAT paid for the year amounts to R 18 389 539 (2017: R 10 028 919)

PAYE and UIF

Current year Payroll Deductions	(67 416 720)	(61 103 642)
Amount paid - current year	67 416 720	61 103 642
	-	-

Balance Unpaid (included in Creditors)

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

59. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year Payroll Deductions and Council Contributions	99 592 332	92 657 686
Amount paid - current year	(99 592 332)	(92 657 686)
Balance Unpaid (Included in Creditors)	-	-

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days throughout the financial year ending 30 June 2018.

Distribution Losses

In terms of section 125(2)(d)(i) of the Municipal Finance Management Act, the municipality experienced the following distribution losses for the year under review:

	Electricity (KWH)	Water (KL)
Purchases	374 764 358	8 644 602
Sales	(353 276 668)	(6 776 770)
Distribution loss	21 487 690	1 867 832

Electricity losses are calculated as 5.73%. Electricity losses are within the industry norms.
Water losses are calculated as 21.6%. Water losses are within the industry norm.

60. Multi-employer retirement benefit information

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Pension Fund and the South African Municipal Workers Union National Provident Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R 11.7 million (2017: R 6.9 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement funds have been valued by making use of the discounted cash flow method of valuation.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

60. Multi-employer retirement benefit information (continued)

DEFINED BENEFIT SCHEMES

SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2016 revealed that the assets of the fund amounted to R13,700,300.00 (30 June 2015 : R13,231,200.00), with funding levels of 100% (30 June 2015: 100%). The highest contribution rate paid by the members was 7.92% and by Council 20.78%..

It is the actuary's opinion that:

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

LA retirement Fund (Previously Cape Joint Pension Fund)

The Cape Joint Pension Fund is a multi employer plan and the contribution rate payable is 27%, 9% by the members and 23.06% (period 1 February 2012 - 30 June 2014) and 26.77% (period 1 July 2014 - 30 June 2015) by their Councils. The actuarial valuation report at 30 June 2017 disclosed and actuarial valuation amounting to R 1 859 077 000 (30 June 2016: R 2 037 843 000), with a net accumulated surplus of R 46 989 000 (2016: R 67 791 000), with a funding level of 102.6% (30 June 2015: 103.5%)

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

60. Multi-employer retirement benefit information (continued)

DEFINED CONTRIBUTION SCHEMES

LA Retirement Fund (Previously Cape Joint Pension Fund)

The actuarial valuation report at 30 June 2017 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R 1 911 937 000 (30 June 2016 : R 1 960 970 000), net investment reserve of R 0 (30 June 2016 : R 0) and a funding level of 100% (2016 : 100%).

The actuary concluded that:

- The Pensioner account has a funding level of 102.6% with a surplus of R47.0 million and is in a sound financial condition as at the valuation date.
 - There is a surplus of R47.0million in The DB Section excluding The surplus in The Pensioner Account. The surplus has been allocated to The Pensioner Account.
 - The overall funding level in respect of the DB Section including the Pensioner Account is 101.3% with a surplus of R47.0 million.
 - * The DC Section has a funding level of 100% and is in a sound Financial condition..
 - Overall the fund is in a sound financial condition with a surplus of R47.0 million and the overall funding level of 102.6%.
 - The Trustees awarded a 3.3% pension increase effective 1 January 2018.
- It is to be noted that:
- All the active members have now all been converted to the DC Section.
 - There is no longer any contribution rate shortfall as this only applied to 29 residual DB Section active members, that have now also converted to the DC Section and
 - Both the DC Section and the DB Section were fully funded as at the valuation date.

The actuary certified The Pensioner Account was 102.6% funded with a surplus of R47 million and is in a sound financial condition. The funding level in respect of the DB active members was 102.6% with a surplus of R47 million. The DB Section is in a sound financial condition and the DC Section has a funding level of 100% and is in a sound financial condition. Overall the Fund is in a sound financial condition with a surplus of R47 million and an overall funding level of 102.6%. The nature of the assets is suitable for the Fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

Cape Joint Retirement Fund

The statutory valuation performed as at 30 June 2016 revealed that the assets of the fund amounted to R 20 075 000 000 (30 June 2015 : R 18 322 177 000), with funding levels of 118% and 100% (30 June 2015 112.1% and 100%) for the Share Account and the Pensions Account respectively. The Preservation Pension Account showed a surplus of R 0 and was 100% funded for both 2016 & 2015. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

Municipal Councillors Pension Fund

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

60. Multi-employer retirement benefit information (continued)

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13.75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund.

After hearing Counsel for the Applicant, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months; 4. The Curator be remunerated as per paragraph 9 of the order dated 19th December 2017; 5. The Curator's report dated 22nd February 2018 be published on the FSB's website; and 6. Costs of the application be costs in the curatorship. Dated at Pretoria on 19th March 2018.

The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948,000 (30 June 2011 : R6,574,75,00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

National Fund for Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively. Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R10,050,029,000 (30 June 2014 : R10,050,029,000), with funding levels of 100.42% (30 June 2014: 100.10%). The actuary certified that the assets of the fund are sufficient to cover 100.42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors..

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

61. Prior period errors and Reclassifications

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications had on the amount previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amount involved.

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	299 430 733	(170 839)	(252 942 836)	46 317 058
Receivables from exchange transactions	91 535 970	76 369 292	-	167 905 262
Other receivables from exchange transactions	83 979 200	(76 198 453)	-	7 780 747
Inventories	40 658 710	(89 866)	-	40 568 844
Receivables from non-exchange transactions	66 430 628	(993 957)	-	65 436 671
VAT receivable	40 139 579	-	-	40 139 579
Long term receivable	2 121 452	-	-	2 121 452
Short term investments	322 475 480	-	252 942 834	575 418 314
	946 771 752	(1 083 823)	(2)	945 687 927
Non-Current Assets				
Biological assets that form part of an agricultural activity	8 808 121	-	-	8 808 121
Investment property	423 622 558	-	-	423 622 558
Property, plant and equipment	4 428 174 058	15 000 000	1	4 443 174 059
Intangible assets	9 434 575	-	-	9 434 575
Heritage assets	724 002	-	-	724 002
Long term receivable	3 512 953	-	-	3 512 953
	4 874 276 267	15 000 000	1	4 889 276 268
Total Assets	5 821 048 019	13 916 177	(1)	5 834 964 195
Liabilities				
Current Liabilities				
Consumer deposits	14 577 025	-	-	14 577 025
Employee benefit obligation	46 157 331	858 087	-	47 015 418
Operating lease liability	1 439 270	-	-	1 439 270
Other financial liabilities	13 083 928	-	-	13 083 928
Payables from exchange transactions	282 087 477	-	-	282 087 477
Unspent conditional grants and receipts	88 493 433	(14 054 849)	-	74 438 584
	445 838 464	(13 196 762)	-	432 641 702
Non-Current Liabilities				
Other financial liabilities	173 302 139	-	-	173 302 139
Employee benefit obligation	220 222 839	-	-	220 222 839
Provisions	78 169 144	-	-	78 169 144
	471 694 122	-	-	471 694 122
Total Liabilities	917 532 586	(13 196 762)	-	904 335 824
Net Assets	4 903 515 433	27 112 939	(1)	4 930 628 371
Net Assets				
Accumulated surplus	4 903 515 433	27 112 938	-	4 930 628 371
	106			

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.1. Cash and cash equivalents

Balance previously reported
Short term investments - reclassification
Other receivables from exchange transactions - prior period error

299 430 733
(252 942 836)
(170 839)
46 317 058

Short term deposits are not classified as part of cash and cash equivalents as these investments are not readily convertible to known amounts of cash. The short term investments do not have a short maturity of three months or less from the date of acquisition and do not meet the definition of cash and cash equivalents in accordance with GRAP 2.

The investment with the New Republic Bank is currently under receivership and does not meet the definition of cash and cash equivalents.

61.2 Receivables from exchange transactions

Balance previously reported
Other receivables from exchange transactions

91 535 970
76 369 292
167 905 262

The accrued income in respect of Water and Electricity services estimated billing in respect of July and August was incorrectly accounted for as Other receivables from exchange transactions

61.3 Other receivables from exchange transactions

Balance previously reported
Cash and cash equivalents
Receivables from exchange transactions

83 979 199
170 839
(76 369 291)
7 780 747

The investment with the New Republic Bank is currently under receivership and does not meet the definition of cash and cash equivalents

The accrued income in respect of Water and Electricity services estimated billing in respect of July and August was incorrectly accounted for as Other receivables from exchange transactions.

61.4 Receivables from non-exchange transactions

Balance previously reported
Accumulated surplus - prior period error

66 430 628
(993 957)
65 436 671

It was identified that traffic fines withdrawn and reduced were incorrectly used to reduce revenue from non-exchange transactions

61.5 Inventories

Balance previously reported
Accumulated surplus - prior period error

40 658 710
(89 866)
40 568 844

Land inventory was overstated.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.6 Short term investments

Balance previously reported
Cash and cash equivalents - reclassification

322 475 480
252 942 834
575 418 314

Short term deposits are not classified as part of cash and cash equivalents as these investments are not readily convertible to known amounts of cash. The short term investments do not have a short maturity of three months or less from the date of acquisition and do not meet the definition of cash and cash equivalents in accordance with GRAP 2.

61.7 Property, plant and equipment

Balance previously reported
Accumulated surplus - prior period error

4 428 174 059
15 000 000
4 443 174 059

Vacant land for future development was not accounted for in the fixed asset register.

61.8 Unspent conditional grants and receipts

Balance previously reported
Accumulated surplus - prior period error

88 493 433
(14 054 849)
74 438 584

The conditional grants was utilised in previous financial years but the related funding was not correctly allocated.

61.9 Employee benefit obligation

Balance previously reported
Accumulated surplus - prior period error

46 157 331
858 087
47 015 418

The leave provision was adjusted with the temporary employees leave balances.

61.10 Accumulated surplus

Balance previously reported
Inventories
Property plant and equipment
Employee benefit obligation
Unspent conditional grants
Receivables from non exchange transactions

4 903 515 433
(89 866)
15 000 000
(858 087)
14 054 832
(993 967)

(4 930 628 345)

Refer to the nature of the adjustments in the financial statement line items as indicated above.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

61. Prior period errors and Reclassifications (continued) Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	788 397 454	5 533 888	1 244 989	795 176 331
Rental of facilities and equipment	16 905 749	-	1	16 905 750
Interest received (trading)	6 451 330	-	-	6 451 330
Agency services	6 400 483	-	-	6 400 483
Licences and permits	4 696 952	-	1 038 162	5 735 114
Other income	32 686 226	1	(7 491 280)	25 194 947
Investment revenue	56 218 546	-	-	56 218 546
Total revenue from exchange transactions	911 756 740	5 533 889	(5 208 128)	912 082 501
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	287 664 140	-	2 364 103	290 028 243
Property rates - penalties imposed	2 364 103	-	(2 364 103)	-
Transfer revenue				
Government grants & subsidies	216 896 062	5 647 807	5 208 128	227 751 997
Fines, Penalties and Forfeits	100 441 945	2 374 679	1	102 816 625
Total revenue from non-exchange transactions	607 366 250	8 022 486	5 208 129	620 596 865
Total revenue	1 519 122 990	13 556 375	1	1 532 679 366
Expenditure				
Employee related costs	(407 801 472)	(1 773 636)	-	(409 575 108)
Remuneration of councillors	(16 094 449)	-	-	(16 094 449)
Contribution to/from provisions	(1 536 603)	-	-	(1 536 603)
Contribution to employee benefits	(6 953 305)	-	-	(6 953 305)
Depreciation and amortisation	(149 139 445)	-	(1)	(149 139 446)
Impairment of non cash generating assets	(419 479)	-	(5)	(419 484)
Finance costs	(19 626 895)	-	-	(19 626 895)
Lease rentals on operating lease	-	-	(13 205 278)	(13 205 278)
Debt impairment	(82 169 287)	-	-	(82 169 287)
Contribution to allowance for doubtful debt	(1 154 212)	3 368 636	-	(4 522 848)
Repairs and maintenance	(59 139 800)	-	59 139 800	-
Bulk purchases	(347 827 570)	-	(1)	(347 827 571)
Contracted services	(49 381 226)	-	(99 776 678)	(149 157 904)
Transfers and subsidies	(6 932 896)	-	-	(6 932 896)
Collection costs	(1 921 904)	-	1 921 904	-
General Expenses	(157 236 323)	(5 533 888)	53 693 862	(109 076 349)
Total expenditure	(1 307 334 866)	(7 128 888)	11	(1 316 237 423)
Operating surplus	211 788 124	6 427 487	12	216 441 943
Gain on disposal of assets and liabilities	729 011	(3)	-	729 008
Fair value adjustments	945 220	-	-	945 220
Loss on biological assets and agricultural produce	(104 086)	-	-	(104 086)
Inventories (losses/write-downs)	(45 009)	-	-	(45 009)
Surplus for the year	1 525 136	(3)	-	1 525 133
	213 313 260	6 427 484	12	217 967 076

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.11 Service charges

Balance previously reported
Other income - reclassification
General expenses - prior period error

788 397 454
1 244 989
5 533 888
795 176 331

Reconnection fees was reclassified to Service charges in terms of the new mSCOA chart of accounts.

Payments relating to free basic services for Indigents were erroneously accounted for as Revenue foregone. The expense relates to Indigent relief and has been corrected accordingly.

61.12 Other Income

Balance previously reported
Government grants and subsidies - reclassification
Service charges - prior period error

32 686 227
(5 208 128)
(2 283 152)
25 194 947

The other revenue VAT, that lost its conditional nature after the input vat was claimed, was reclassified to government grants and subsidies.

Reconnection fees was reclassified to Service charges in terms of the new mSCOA chart of accounts.

61.13 Government grants & subsidies

Balance previously reported
Other income - reclassification
Recognition of grant expenditure - prior period error

216 896 062
5 208 128
5 647 807
227 751 997

The other revenue VAT, that lost its conditional nature after the input vat was claimed, was reclassified from Other income.

The accounting transaction for the Government grants and subsidies were incorrectly processed in the comparative year on the financial system.

61.14 Employee related costs

Balance previously reported
General expenses - uniform and protective clothing (prior period error)
General expenses- workman compensation (prior period error)

(407 801 472)
610 784
(2 384 420)
(409 575 108)

Workmen compensation was incorrectly accounted for as General expenses. It should have been Employee related cost due to the nature of the expenditure being a social security contribution.

Uniform and protective clothing was incorrectly accounted for as employee related costs.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.15 Contribution to allowance for doubtful debt

Balance previously reported	(1 154 212)
Receivables from non-exchange transaction - prior period error	(3 368 636)
	<u>(4 522 848)</u>

It was identified that traffic fines withdrawn and reduced were incorrectly used to reduce revenue from non-exchange transactions

61.16 Repairs and maintenance

Balance previously reported	(59 139 800)
Contracted services - reclassification	43 934 757
General expenditure - reclassification	15 205 043
	<u>-</u>

A data cleansing exercise was done for the classification of expenditure, in accordance with its nature due to the mSCOA implementation.

Repairs and maintenance was reclassified to general expenses and contracted services due to the mSCOA definition and classification of the expense

61.17 Contracted services

Balance previously reported	(49 381 226)
Repairs and maintenance - reclassification	(43 934 757)
General expenditure - reclassification	(70 679 176)
General expenditure - management fee (reclassification)	1 631 977
Lease rentals on operating lease - reclassification	13 205 278
	<u>(149 157 904)</u>

A data cleansing exercise was done for the classification of expenditure, in accordance with its nature due to the mSCOA implementation.

Repairs and maintenance was reclassified to Contracted services due to the mSCOA definition and classification of the expense

General expenditure was reclassified to Contracted services due to the mSCOA definition and classification of the expense
Management fee was reclassified from Contracted services to General expenditure due to the mSCOA definition and classification of the expense.

Lease rentals on operating lease was classified to its own line item on the face of the Statement of Financial Performance due to the nature of the expense.

61.18 Lease rentals on operating lease

Balance previously reported	(13 205 278)
Contracted services	-
	<u>(13 205 278)</u>

Lease rentals on operating lease was classified to its own line item on the face of the Statement of Financial Performance due to the nature of the expense.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.19 Collection costs

Balance previously reported
General expenses - reclassification

(1 921 904)
1 921 904

Collection cost was reclassified to General expenses due to mSCOA definition and classification of the expense.

61.20 General Expenses

Balance previously reported
Repairs and maintenance - reclassification
Service charges - prior period error
Contracted services - reclassification
Contracted services - Management fee (reclassification)
Employee related cost - workman compensation (prior period error)
Employee related cost - uniform and protective clothing (prior period error)
Collection cost - reclassification

(157 236 323)
(15 205 043)
(5 533 891)
70 679 166
(1 631 977)
2 384 407
(610 784)
(1 921 904)
(109 076 349)

Repairs and maintenance was reclassified to General expenses due to the mSCOA definition and classification of the expense.

Payments relating to free basic services for Indingents were incorrectly accounted for as Revenue foregone. The expense relates to Indigent relief and has been corrected accordingly.

General expenditure was reclassified to Contracted services due to the mSCOA definition and classification of the expense
Management fee was reclassified from Contracted services to General expenditure due to the mSCOA definition and classification of the expense.

Workmen compensation was incorrectly accounted for as General expenses. It should have been Employee related cost due to the nature of the expenditure being a social security contribution.

Uniform and protective clothing was incorrectly accounted for as employee related costs.

Collection cost was reclassified to general expenses due to the mSCOA definition and classification of the expense.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

62. Budget differences

Material differences between budget and actual amounts

All variances greater than 10% as depicted in the Statement of Comparison of Budget and Actual Amounts are explained below.

Statement of Financial Performance

Revenue

Rental of facilities and equipment (BD1)

The revenue for rental of facilities and equipment declined due to the factors of social change, which is cultural and economic change.

Interest earned - outstanding receivables (BD2)

The budget projection increase was based on the prior period's position of debtors.

Agency services (BD3)

The projected collection was based on historic performance.

Licences and permits (BD4)

The projection was based on the prior period's collection.

Other income (BD5)

The decrease is mainly due to the implementation of mSCOA and the specific categories in the chart

Investment revenue (BD6)

More funds than anticipated where invested during the financial year due to delays in commencement in projects

Government grants & subsidies (BD7)

Some conditional grants have not yet met conditions and not yet recorded as revenue, hence the significant

Fines, Penalties and Forfeits (BD8)

The budget projection for Fines was based on previous performance.

Expenditure

Contribution to / from provisions (BD9)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subject to certain unpredictable assumptions i.e. Discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

Contribution to employee benefits (BD10)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subject to certain unpredictable assumptions ie. discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

Depreciation and ammortisation (BD11)

The capital expenditure for the period was not met thus not all assets were completed at year end, which lead to depreciation being over budgeted.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

62. Budget differences (continued)

Impairment loss/ Reversal of impairments (BD12)

No assets were impaired/ reversed for impairment during the year.

Operating leases (BD13)

Operating leases were previously accounted for as part of contracted services. This is the first period that the operating leases are being disclosed as a separate line item and will be appropriately accounted for in the statement in the next period

Debt Impairment (BD14)

The projection was based on historical data

Contribution to allowance for doubtful debt (BD15)

The projection was based on historic performance of debtors'accounts

Collection costs (BD16)

Collection costs are now included as part of general expenditure and not disclosed as an individual item.

Contracted Services (BD17)

Re-classification of other general expenses resulted in the actual amount increasing

Transfers and Subsidies (BD18)

Less applications for the grant in aid were received than projected.

General Expenses (BD19)

Implementation of cost-cutting measures and re-classifying some general expenses as contracted services and external loan not being taken

Gain on disposal of assets and liabilities (BD20)

The municipality cannot estimate what value it will receive for items disposed during the auction.

Fair value adjustments (BD21)

These adjustments are based on estimates that cannot be budgeted for.

Gain on biological assets and agricultural assets

The gain is based on the growth of the biological assets and cannot be calculated before hand for budget purposes.

Inventories (lossess/write downs)

The write downs are based on the occurrence of specific activities during the period, for example stock take, and can thus not be budgeted for.

Statement of Financial Position

Assets

Cash and cash equivalents (BD24)

Due to unspent conditional grants, there was more cash to invest on a short-term basis.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

62. Budget differences (continued)

Short term Investments (BD25)

Due to cash flows, some short term investments were converted into cash & cash equivalents

Receivables from exchange transactions (BD26)

The municipality implemented higher water tariffs during the drought which lead to an increase in outstanding debtor balances

Receivables from non-exchange transactions (BD27)

The actual collection rate on fine debtors was better than expected. This resulted in a decrease in the allowance for impairment.

Other receivables from exchange transactions (BD28)

During the financial year the municipality implemented higher water tariffs resulting in an increase in the estimate for water

Inventories (BD29)

Significant bulk inventory items were procured during the year which were still unused at year end, hence also the decrease in repairs and maintenance spending

VAT receivable (BD30)

Management did not anticipate a VAT receivable at year end.

Long term receivable (BD31)

This includes arrangement debtors. Debtors Normally default on their arrangement with the municipality, which lead to a under budget of Long term receivables.

Investment Property (BD32)

The budgeted amount is based on the previous fair value model which has since been changed to cost model

Intangible Assets (BD33)

The municipality had planned to procure more software systems.

Biological assets that form part of an agricultural activity (BD34)

The budgeted amount is based on the previous fair value model which has since been changed to cost model

Heritage assets (BD35)

The budgeted amount is based on the previous fair value model which has since been changed to cost model.

Liabilities

Payables from exchange transactions (BD36)

This was mainly due to late contractor appointments, delays in projects which led to more invoices not being paid at year end.

Unspent conditional grants and receipts (BD37)

Due to unforeseen circumstances, late contractor appointments, delays in projects, etc, conditions of some grants could not be met at year end.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

62. Budget differences (continued)

Employee benefit obligation (BD38)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subject to certain unpredictable assumptions ie. discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

Other financial liabilities (BD39)

The municipality had calculated that an additional loan would be taken and the consolidated short-term portion thereof paid off quicker.

Consumer deposits (BD40)

Growth in our community/ client base resulting in increase deposits.

Operating lease liability (BD41)

Operating lease liability is included in other financial liabilities

Provisions (BD42)

Provisions are based on experts' work as at the end of the financial year using information that is not available during the budget. The budget is based on historic amounts.

Cash Flow Statement

Payments

Suppliers and employee costs (CF1)

Bulk purchases which are bought by the municipality are based on the consumption of the community have decreased compared to the prior year. The decrease in the consumption is due to the water restrictions that have been implemented by the municipality.

Employee related cost decrease due to vacancies not filled and posts becoming vacant during the financial year.

Transfers and grants (CF2)

Management anticipated to spend the allocated funds, but due to unforeseen circumstances it did not materialise as planned.

Cash flow from investing activities

Purchase of PPE (CF3)

The variance relates to the underspending on the capital budget.

Proceeds from sale PPE (CF4)

The proceeds from sale of property, plant and equipment were better than expected, which is beneficial to the municipality.

Purchase of intangible assets (CF5)

The municipality had undertaken a feasibility into new software for cemeteries.

Purchase of heritage assets (CF6)

A new heritage asset was donated to the municipality during the period.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

62. Budget differences (continued)

Proceeds from long term receivables (CF7)

Arrangement debtors classified as long term receivables

Proceeds from biological assets (CF8)

Management did not anticipate to sell biological assets during the financial year.

Movement in investments (CF9)

The municipality invested excess funds for periods more than 3 months but up to 12 months, these investments are classified as short term investments in the statement of financial position.

Cash flow from financing activities

Prior Period Errors (CF10)

Management did not anticipate to identify a prior period error

Changes from the approved budget to the final budget

The changes between the approved and final approved adjustments budget are a consequence of reallocations within the approved budget parameters allowed for by Section 6 of the Budget Implementation and Monitoring Policy as approved by Council.

63. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of R 5 194 082 849 and that the municipality's total assets exceed its total liabilities by R 5 194 082 849.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Stellenbosch Municipality

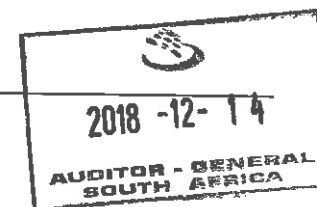
Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

64. Deviations from, and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of the Supply Chain Management Policy the deviations from, and ratifications of minor breaches of procurement per directive are listed below:

Deviation no:	Date of adjudication	Supplier	Reason	Rate of recurrence	Contract/ Order Amount
D/SM 1/18	11/07/2017	Total SA	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	3 000 000
D/SM 2/18	11/05/2017	Landfill Consult (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	2 282 280
D/SM 3/18	30/06/2017	The Sustainability Institute Innovations Lab	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	110
D/SM 4/18	18/08/2017	CBI Electric African Cables	Emergency	Total D/SM amount	1 481 821
D/SM 5/18	05/09/2017	Smith Tabata Buchanan Boyes (STBB)	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	
D/SM: 6/18	05/09/2017	The Geoss Pty (Ltd)	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	500 000
D/SM 7/18	05/09/2017	HATCH GOBA (PTY) LTD	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	15 000 000
D/SM 8/18	05/09/2017	RPM Drilling, EDRS, JM Drilling, GDSA and SA Rock Drill	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	
D/SM 9/18	26/09/2017	Apptronics	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	634 684
D/SM 10/18	02/10/2017	Wendy Cape CC Trendy Wendy's JR Wendy'sPHK Trading and Maintenance CC Asemna Logistics CC Iquebela Cleaning Services and Projects Amabamba Fencing (Pty) Ltd Betafence	Emergency	Total D/SM amount	839 894
D/SM 11/18	02/10/2017	Interwaste (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	1 774 584
D/SM 12/18	02/10/2017	ABSA	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	120 000
D/SM 14/18	09/10/2017	JR Wendy's	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	795 800
D/SM 15/18	19/10/2017	Master Drilling	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	



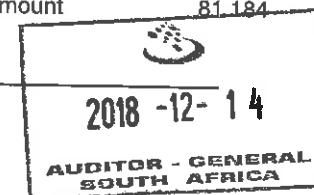
Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

64. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 16/18	20/10/2017	Veolia Water Solutions & Technologies SA (Pty) Ltd / Carecure (Pty) Ltd Aquamat S.A. (Pty) Ltd Sustainable Engineering Consultants (Pty) Ltd (Alveo) WSSA (PTY) LTD (Proxa Water)	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 17/18	20/10/2017	CBI Cables	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	480 922
D/SM 18/18	27/10/2017	EXEO Khokela Civil Engineering	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 19/18	17/11/2017	Liquid Telecom	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 20/18	08/12/2017	BW Management Waste Carriers	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	900 000
D/SM 21/18	28/11/2018	STBB	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates (p/h)	1 400
D/SM 22/18	08/11/2017	Rainbow Lighting	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	336 933
D/SM 23/18	22/11/2017	Various Artists	Acquisition of special works of art or historical objects where specifications are difficult to compile and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	184 500
D/SM 24/18	08/12/2017	Tuffy Manufacturing	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates (per 1000 bags)	917
D/SM 27/18	19/01/2018	Mindspring	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	491 601
D/SM 28/18	20/12/2017	Broadway Hardware	Impractical	Total D/SM amount	255 000
D/SM 29/18	15/01/2018	WREV Construction	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	12 000
D/SM 32/18	08/02/2018	Nokhala Cleaning Services	Emergency	Total D/SM amount	36 000
D/SM 33/18	19/03/2018	IntastorWF Constructions WEC Consult	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	16 035 573
D/SM 34/18	20/03/2018	Bergzicht Boland Promotions Polorama	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	435 661
D/SM 35/18	12/03/20218	BVI Consulting Engineers	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	81 184



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

64. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 36/18	10/04/2018	Panel	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	
D/SM 37/18	11/04/2018	Panel	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	
D/SM 38/18	13/04/2018	Flotron	Emergency		7 849
D/SM 40/18	25/04/2018	WEC Projects	Emergency	Total D/SM amount	21 563
D/SM 41/18	13/04/2018	Bytes System Intergration (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	924 588
D/SM 42/18	09/05/2018	JR Wendys CC	Emergency	Total D/SM amount	314 200
D/SM 43/18	15/05/2018	JoJo Vertical Water Tanks	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	63 511
D/SM 44/18	15/05/2018	Cornerstone Environmental Consultants	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	81 656
D/SM 44/18	15/05/2018	Siyakhatala Safety	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	10 000
D/SM 44/18	15/05/2018	Deloitte Consulting	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	9 000
D/SM 49/18	05/06/2018	Lupat General Trading (Pty) Ltd	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	41 465
D/SM 50/18	06/06/2018	Split Second Science	Impractical	Total D/SM amount	
D/SM 51/18	11/06/2018	The Amazing Magic of Regardt Laubscher	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	
D/SM 51/18	11/06/2018	Ontec Systems	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	
D/SM 52/18	11/06/2018	Livewire Engineering and Consulting (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	49 500
D/SM 53/18	18/05/2018	Basson Blackburn Attorneys	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	
D/SM 54/18	01/06/2018	AT Planing Town and Regional Planning Service	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	
D/SM 55/18	29/06/2018	Franschoek Farmgaurd	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	
		Cumax Security Service			
		Sondella Security			
		Tyte Security			
		Mageba Security			
D/SM 56/18	29/06/2018	Leelyn Management	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	



Stellenbosch Municipality

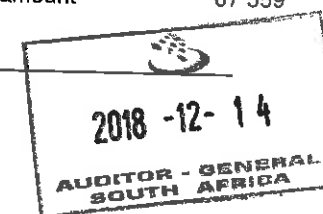
Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

64. Deviations from, and ratification of minor breaches of procurement process (continued)

In accordance with paragraph 4.36(a) of the Supply Chain Management Policy the deviations from, and ratifications of minor breaches of procurement per directive are listed below for the comparative year:

Deviation no:	Date of adjudication	Supplier	Reason	Rate of recurrence	Contract/ Order amount
D/SM 1/17	04/07/2016	Atterbury Holdings	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	5 971 818
D/SM 2/17	14/07/2016	Roy Steele and Associates	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	51 300
D/SM 3/17	14/07/2016	Total SA	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	
D/SM 4/17	29/07/2016	Fairbuild CC; Rhotec; CBI Electric	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	67 860
D/SM 5/17	05/07/2016	Blue Civils	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	113 145
D/SM 6/17	02/08/2016	Sowerby Engineering Company	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	734 363
D/SM 7/17	08/09/2016	HSM Amanzi	Emergency	Total D/SM amount	83 300
D/SM 8/17	08/09/2016	JR Wendys CC	Emergency	Total D/SM amount	113 097
D/SM 9/17	08/09/2016	Jubelle Projects	Emergency	Total D/SM amount	410 252
D/SM 10/17	16/09/2016	Country Building Supplies	Emergency	Total D/SM amount	57 205
D/SM 11/17	21/09/2016	Rhotec	Emergency	Total D/SM amount	113 110
D/SM 12/17	26/09/2016	Grace Construction	Emergency	Total D/SM amount	191 788
		HUBER Technology	Goods or services are produced or available from a single provider	Total D/SM amount	14 617 112
D/SM 13/17	21/09/2016	Exeo Khokela	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	86 988
D/SM 14/17	17/10/2016	Kaltron; EOH	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	41 800
D/SM 15/17	07/10/2016	JR Wendys CC	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	77 500
D/SM 16/17	09/11/2016	Various artists	Special work of Art (Artists performances)	Rates	
D/SM 17/17	16/11/2016	Ibhunga Cleaning and Brick Paving & Painting; Impolo Trading Solutions	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	15 220
D/SM 18/17	16/11/2016	Conlog	Goods or services are produced or available from single provider	Total D/SM amount	67 559
D/SM 19/17	16/11/2016	Ian Dickie & Co	Emergency		



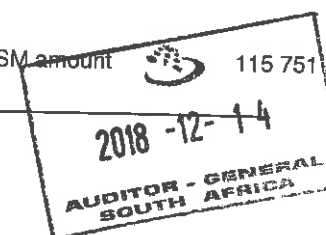
Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

64. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 20/17	16/11/2016	CBI Electric	Goods or services are produced or available from single provider and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	870 562
D/SM 22/17	06/12/2016	KOOLTRON Pty Ltd	Emergency	Total D/SM amount	208 962
D/SM 23/17	09/12/2016	Country Building Supplies	Emergency	Total D/SM amount	269 124
D/SM 24/17	09/12/2016	CSX Customer Services	Goods or services are produced or available from single provider	Total D/SM amount	306 000
D/SM 25/17	09/12/2016	JR Wendys CC	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	184 500
D/SM 26/17	14/12/2016	Geodebt	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 27/17	05/01/2017	Prentec	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	1 145 244
D/SM 28/17	21/12/2016	Total SA	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 29/17	12/10/2016	Arbor Care	Emergency	Total D/SM amount	19 950
D/SM 30/17	06/12/2016	Genadendal Jackies Bazaar	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 31/17	25/01/2017	Three Go Konstruksie	Emergency	Total D/SM amount	23 150
D/SM 32/17	16/02/2017	Angel Shack; Urban World	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	674 150
D/SM 33/17	14/12/2016	Webber Wentzel	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 34/17	03/03/2017	Red Ant Security Relocation and Eviction	Goods or services are produced or available from single provider and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 35/17	02/03/2017	Bradley Conradie	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 36/17	06/03/2017	Cliffe Dekker	Emergency	Total D/SM amount	662 340
D/SM 37/17	14/03/2017	Guerrini Marine Construction CC	Emergency	Total D/SM amount	1 289 543
D/SM 38/17	13/03/2017	Impolo Trading Solutions	Emergency	Rates	-
D/SM 39/17	15/03/2017	Ibunga Cleaning and Brick Paving	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 40/17	30/03/2017	C Ntamo Holdings	Emergency	Rates	-
D/SM 41/17	07/04/2017	Bradley Conradie	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
		Cliffe dekker	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
		Etienne Vermaak	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
		Inter Waste (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
		CSX Customer Services	Goods or services are produced or available from single provider	Total D/SM amount	115 751



Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

64. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 42/17	10/04/2017	Nokhala Cleaning Services	Emergency	Total D/SM amount	29 400
D/SM 43/17	13/04/2017	JR Wendys CC	Emergency	Total D/SM amount	369 000
		Sanitec		Rates	
D/SM 44/17	03/05/2017	Nokhala Cleaning Services	Emergency	Total D/SM amount	117 600
D/SM 45/17	28/04/2017	ZTANDIS (Pty) Ltd; CBI Electrical	Emergency	Total D/SM amount	572 314
D/SM 46/17	05/05/2017	DVC General Trading CC	Emergency	Total D/SM amount	18 753
D/SM 47/17	28/04/2017	Estate Fencing	Emergency	Total D/SM amount	1 670 241
D/SM 48/17	12/05/2017	Parone Trading	Emergency	Total D/SM amount	73 712
D/SM 49/17	15/06/2017	Exeo Khokela	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	2 923 422
D/SM 50/17	22/06/2017	Avalon Technology Group	Emergency	Total D/SM amount	101 728
D/SM 51/17	19/06/2017	Polormama; Nokhal Cleaning Services	Emergency	Total D/SM amount	172 710
D/SM 52/17	30/06/2017	ABSA	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 53/17	30/06/2017	Leelyn Management	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 54/17	30/06/2017	Liquid Telecommunications SA	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	600 000

65. Auditors' remuneration

Fees	5 409 490	3 938 129
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66. Gains or losses on biological assets

Gains or losses arising from a change in fair value less point of sale costs	91 149	(104 086)
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